



U.S. Department of State FY 2001 Country Commercial Guide: Taiwan

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CHAPTER I: EXECUTIVE SUMMARY

This Commercial Guide (CG) presents a comprehensive look at Taiwan's commercial environment using economic, political and market analyses. The CGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies. The Taiwan Commercial Guide is prepared by the American Institute in Taiwan.

Over the past fifty years, hard work and sound economic management have built Taiwan into an economic powerhouse with the world's third largest foreign exchange reserves and over \$230 billion in two-way trade. The economy is expanding at 6% with full employment and negligible inflation. Its 23 million people enjoy a per capita Gross Domestic Product of almost \$15,000. As Taiwan has prospered, the formerly authoritarian system has evolved into a democracy. On May 20, 2000, the inauguration of President Chen Shui-bian marked the first democratic transfer of power between political parties in Chinese history. Opposition by the People's Republic of China (PRC) to any recognition of Taiwan as a separate political entity has limited Taiwan's official diplomatic activity for years. But Taiwan has broad unofficial relationships with most of the world's major economies, including the U.S.

Taiwan's \$110 billion of imports in 1999 reflects its lack of resources. It imports nearly all of its energy, most raw materials and a diversity of manufactured and agricultural goods. It is the fifth largest importer of U.S. agricultural products. Its educated work force, advanced infrastructure, strategic location and generally pro-business attitudes make Taiwan an excellent -- if no longer low-cost -- place to invest.

A significant portion of Taiwan's economy is still publicly held, but the inexorable movement towards privatization and liberalization is clear. Taiwan authorities continue to reduce tariffs and non-tariff barriers as part of Taiwan's anticipated accession to the World Trade Organization in late 2000 or early 2001; restrictions on financial institutions are gradually being lifted; several public firms have been privatized; and private sector competition is being introduced in telecommunications, power generation, and oil refining and distribution. The press is free, though at times unreliable, and political debate is unconstrained and vigorous.

Today's market in Taiwan is shaped by recent political history. In 1945, Taiwan was restored to Chinese rule after 50 years as a Japanese colony. In 1949, Chiang Kai-shek's Nationalist army retreated to Taiwan after being defeated by Mao Zedong's Communist forces in a Chinese civil war. Until the mid-1980s the Nationalist (KMT) party maintained a single-party rule. Beginning in the mid-1980's and accelerating in the first half of the nineties, however, the political system has been transformed into a flourishing democracy. In late 1994, an opposition member was elected Taipei Mayor; in March 1996 Taiwan's first direct presidential elections were held; and the pro-independence opposition Democratic Progressive Party (DPP) captured over half of the mayor and county magistrate positions in December 1997. This process culminated, in March 2000, in the election of DPP candidate Chen Shui-bian on a strong anti-corruption platform, in

Taiwan's second direct presidential election. With the inauguration of Chen Shui-bian as President in May 2000, the DPP became the new ruling party, succeeding the 51-year rule of the KMT in Taiwan.

Democratization has changed Taiwan's business climate. Officials used to the old, authoritarian ways now find their actions scrutinized by an active press and an aggressive legislature. This scrutiny can lead to delays and reversals. Power, formerly concentrated in the KMT and the institutions it controlled, is now diffused. Accomplishing anything requires talking to many different parties, building coalitions and compromising. Taiwan's legal infrastructure has also been changing, although many complain of unrealistic wording in regulations and inconsistent enforcement. The Chen government has made it clear it plans to focus on "clean government."

Taiwan's relationship with the PRC remains problematic. Both have long asserted there is one China. Taiwan authorities seek recognition as one of what they claim are two "sovereign" political entities, each governing part of China, while the PRC regards itself as the sole legal government of all of China and Taiwan a subordinate entity. This fundamental disagreement sharpened in the wake of Taiwan President Lee Teng-hui's unofficial 1995 visit to the U.S., as Beijing cut off a promising cross-strait dialogue. The relationship further worsened prior to Taiwan's March 1996 presidential election as the PRC attempted to influence the election's outcome with strong rhetoric, military exercises and missile tests close to Taiwan. After the 1996 elections, tensions eased somewhat, but in July 1999 President Lee stated that relations between the PRC and Taiwan should be conducted on a "special state-to-state" basis. The PRC reacted vehemently to this statement. This, combined with the election of the Presidential/V.-P. team of Chen/Lu, has led to a period of uncertainty in the Taiwan-PRC relationship as both Taiwan and the PRC reassess their relationship under the changed electoral and political circumstances.

Notwithstanding these political problems, commercial ties between the two sides have grown steadily since the late 1980s. Taiwan is a major investor in the Mainland, and the PRC is Taiwan's largest export market after the U.S. Taiwan wants to establish itself as a regional operations center for third-country businesses aiming at regional markets. Taiwan is also an important regional trading and investment partner. Notably, Taiwan continues to prohibit direct trade, shipping and air links with the PRC; however, there are some signs of loosening of these restrictions in the lead-up to WTO accession and in the aftermath of the Chen election.

Taiwan, America's seventh largest export market and one of the three fastest growing economies in Asia, is an excellent market for U.S. firms. Taiwanese are receptive to foreign products and have money. U.S. exports to Taiwan range from steam boilers to soybeans. U.S. investors range from giants to individuals. Competition is fierce, with Japanese firms well-entrenched and Europeans capturing market share. Nonetheless, Taiwanese generally have feelings of goodwill toward the U.S. and favorable images of U.S. products. U.S. firms with good products at competitive prices will find Taiwan a rewarding market.

**Country Commercial Guides and the Taiwan Commercial Guide are available for U.S. Exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides and the

Taiwan Commercial Guide can be accessed via the World Wide Web at www.stat-usa.gov, www.state.gov, and www.mac.doc.gov. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country- or area-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRAD(E) or by fax at (202) 482-4473.

CHAPTER II: ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

Taiwan's economy has shown robust growth over the past two years despite the lingering effects of the Asian financial crisis, heightened cross-strait political tensions, and a major earthquake which struck central Taiwan in September 1999, inflicting heavy damage and loss of life.

While Taiwan did not experience the direct effects of the 1997 Asian financial meltdown, its economic growth rate slowed to a 16-year low of 4.5% in 1998 in the face of the regional economic slowdown brought on by the crisis. However, growth bounced back in 1999, with real GDP up 5.7% in 1999. GDP growth for the first quarter of 2000 reached 7.9%, a nine-year quarterly high, and for the year as a whole, the economy is expected to grow 6.7% in 2000. Growth in 1999 was driven in part by strong renewed demand for Taiwan exports from the recovering economies of Southeast and Northeast Asia. Strong worldwide demand for Taiwan-made computer and information technology products also contributed to 1999's stronger economic growth and further established these industries as the mainstay of Taiwan's economy. Computer and IT exports grew by 21% in 1999 and a further 36% in the first four months of 2000. They now constitute one third of total exports, up from a quarter at the end of 1998. Economic growth is also being driven by private sector investment by Taiwan manufacturers, and public investment in several major public works projects. These excellent economic fundamentals, in turn, have attracted large flows of foreign portfolio investment to Taiwan, contributing to strong growth in financial services.

Principal Growth Sectors

Taiwan's economic growth over the past year has been driven by both the external and internal sectors. Exports, after shrinking 9.4% in 1998, accelerated steadily through the year, finishing 1999 up 10%. Exports grew 18.5% in the first quarter of 2000 and are expected to maintain similar growth through much of the rest of the year. Exports of goods and services are expected to reach half of Taiwan's GDP in 2000, the highest in eleven years.

Demand for imported inputs from manufacturers has likewise increased sharply in response to the jump in exports. Imports grew 5.8% in 1999 after shrinking 8.5% the previous year. Imports grew a further 26% in the first quarter of 2000.

Domestically, the private sector has been the main source of growth. While always enjoying brisk export sales, manufacturing firms--especially semiconductor and other high-tech equipment producers -- did not see a recovery in domestic sales until the second half of 1999. Thereafter, a

boom in demand for mobile phone and other telecom services stimulated the expansion of these services, and also production of relevant devices and equipment. In addition, Taiwan's high-speed north-south railway project began construction in early 2000. The project is being built on a build-operate-transfer (BOT) basis, with a total cost of over NT\$400 billion (\$13.1 billion). Private investment, after declining in early 1999, began to grow strongly again late in the year, up 11% in the last quarter of 1999 and 16% in the first quarter of 2000. On the average, private investment is expected to grow 13% in 2000.

Brisk export sales and a stock market boom contributed to relatively strong private consumption. While government consumption declined 6.3% in 1999 and 7.1% in the first quarter of 2000, private consumption grew 5.7% and 7.7% in these two periods, respectively. Taiwan authorities estimate that private consumption may expand 6.5 % in 2000 while government consumption falls 1.1%. As a consequence, the private sector's contribution to the economy (i.e. private consumption plus private investment) will increase from 75% of GDP in 1998 and 1999 to nearly 78% in 2000. The public sector's GDP share will decline from 22.4% in 1998 and 21.4% in 1999 to 20.1% in 2000.

Cross-strait tensions have not slowed Taiwan's economic liberalization. In March of 1999, the Securities and Futures Exchange Commission (SFEC) raised the foreign ownership limit on listed companies to 50% from 30% for all foreign investors and from 15% for an individual foreign investor. Subsequently, the SFEC raised the ceiling limit on investment by a foreign portfolio investor from \$600 million to \$1.2 billion. A futures exchange was inaugurated in July 1998. These moves, together with strong underlying fundamentals, have attracted large inflows of foreign portfolio investment capital over the past two years.

Taiwan also continues to liberalize the telecom sector, until recently dominated by monopoly service provider Chunghwa Telecom, a state-owned entity. Paging services were liberalized in 1997, followed quickly by the issuance of eight new mobile phone licenses. The results were dramatic: by early 2000, the mobile penetration rate was around 60% for mobile phones, with 70% of the market in the hands of the new entrant companies. In early 2000, telecom authorities provisionally issued three new fixed line licenses; service roll-out is expected later in the year.

Taiwan has committed itself to further reforms as part of its pending application to join the WTO. For example, it will abolish the 50% foreign ownership limit on listed companies in early 2001. New financial services, such as automatic teller machines and credit cards, have become common, while new financial derivative products have been introduced as well. Kaohsiung, in southern Taiwan, is the world's third largest container port and a key center for US shipping companies. As for air cargo, two U. S. companies have located their Asian regional hubs in Taiwan.

Like other developed nations, Taiwan has seen a steady shrinkage of its industrial sector. This sector's GDP share declined from 35% in 1998 to 33% in 1999 and 30% in the first quarter of 2000. Nevertheless, the industrial sector has experienced a quick transformation, shifting away from traditional labor-intensive industries to technology and capital-intensive industries. While production of the former category leveled off in 1999 and inched up 4.5% in the first quarter of 2000, the latter category grew 11% and 16% in these two periods, respectively. The latter

category's share in manufacturing production exceeded 70% in 1998 and further rose to 73% in 1999 and 74% in the first quarter of 2000. During this structural transition, labor-intensive industries, such as toys, footwear, umbrellas, and garments, have relocated offshore. They have been replaced by electronic, electrical, machinery, metal and petrochemical product makers. In particular, electronic and information companies emerged to become the backbone of Taiwan's manufacturing sector in the past decade. Their share of manufacturing output climbed steadily from less than 20% in the beginning of the 1990's to exceed one-third in 1999 and to reach 36% in early 2000. The composition of Taiwan's exports has also shifted dramatically. The share of electronic and IT products in Taiwan's total exports went from 19% in 1990 to 30% in 1999 and 33% in early 2000. Among the top ten manufacturing firms in 1999, eight were electronics companies. Taiwan is the world's largest semiconductor OEM supplier.

The PRC has absorbed 40% of Taiwan's overseas investment. Cross-strait trade has flourished as a result, with Taiwan's exports to the PRC rising from less than 10% of total exports the mid-1980's to one-quarter by late 1997. However, Taiwan in late 1997 adopted policies which discouraged Taiwan investment in the PRC. These restrictions and unfavorable economic conditions in Mainland China led to 50% and 40% drops in new Taiwan investment in the PRC in 1998 and 1999 respectively. Trade with the PRC declined in 1998 as a result. During the period, the United States has remained Taiwan's largest trading partner, largest export market and second largest import supplier.

Taiwan is in the final stages of acceding to the WTO. With the expectation that both Taiwan and the PRC will accede to the WTO in late-2000, Taiwan firms have begun to invest heavily again in the PRC in hopes of positioning themselves for the new trade opportunities arising from WTO market opening measures.

Taiwan felt the effects of the Asian financial crisis in 1998 as stock prices declined, the NT dollar depreciated, and exports dropped 9.4%. In 1999, the global expansion of trade enabled Taiwan to weather both another round of cross-strait tension and natural disasters. Former President Lee Teng-hui's "state-to-state" formula for describing cross-strait relations in July 1999 triggered a hostile reaction from the PRC. Earlier, Typhoon Maggy swept across southern Taiwan in June, damaging farmlands and disrupting power transmission. But these factors had little effect on Taiwan's economic performance as exports continued to expand in June and July.

On September 21, 1999, a 7.3-magnitude earthquake struck central Taiwan, rocking the entire island, killing 2,400 and injuring nearly 9,000. The quake and its aftershocks badly damaged several towns and severely damaged the water supply system in central Taiwan. A major power line from southern to northern Taiwan was damaged, leading to island-wide power rationing for weeks. Nevertheless, few major manufacturing firms suffered serious damage and were able to make up for lost production and overseas shipments within two months. While the earthquake dampened domestic consumption and slowed real GDP growth in the third quarter of 1999, strong global demand led to accelerating export growth throughout 1999, allowing stock prices to rise and the NT dollar to regain strength.

Public Role in the Economy

Taiwan has been reducing the public sector's role in the economy. A number of construction projects (including a north-south high-speed railway, a massive rapid transit system in Kaohsiung City, and another MRT system between Taipei and CKS Airport) have been consigned to private firms to execute on a build-operate-transfer basis. Private firms have been permitted to build independent power plants. Oil refinery and gasoline distribution have been liberalized. Over the past two years, Taiwan authorities have sold equity shares and reduced public ownership to below 50% in 15 state-owned enterprises, including five large banks, a big steel mill, and a fertilizer company. Privatization will cover power, oil, tobacco, wine, railway transport, insurance, and telecommunication firms.

Taiwan's central budget in FY1998 (ending June 1998) posted a surplus of NT\$119 billion (\$3.9 billion), the first in eight years. However, unfunded social welfare programs led to another budget deficit of NT\$121 billion (\$4 billion) in FY1999, and the gap is expected to broaden from 1.3% of GNP that year to 3.6% in FY2000. Over the past two years, the authorities increased living allowances for physically and mentally handicapped persons, and began to pay such allowances for retired farmers and fishermen. The labor authorities adopted an unemployment relief program in January 1999 and subsequently expanded vocational training for jobless workers. The new DPP administration will adopt three social programs in the near future, i.e., a monthly allowance for each senior citizen, 3% housing loans for first-time home buyers, and free medical care for children below age three. In addition, earthquake reconstruction efforts will cost NT\$110 billion (\$3.6 billion) in FY2000 (July 1999 to December 2000), with more reconstruction spending required in the years to come. Unless the new administration can expand the tax base, these new spending programs will widen the budget deficit.

The chronic budget deficit has led to an increase in outstanding public debt from 6% of GNP in the early 1990s to 15% in FY1999. With the absorption of provincial debt this year, its share may further increase to 25% in FY2000. As a result, debt service payments will for the first time exceed the national defense budget and will claim the largest share of the central budget pie in FY2000. Debt service climbed steadily from 6.5% of total central expenditures in FY1991 to 15% in FY1999, and the share is expected to exceed 18% in FY2000.

Balance of Payments

Taiwan achieved a \$18.6 billion balance of payments (BOP) surplus in 1999, which contributed to a 17% increase in its foreign exchange reserves to \$106 billion, the third largest in the world after Japan and the PRC. Key factors contributing to Taiwan's 1999 BOP surplus included rapid expansion of exports and large capital inflows. Export expansion, particularly in the last quarter of 1999, led to a 70% growth in the current account (C/A) surplus to \$5.9 billion in 1999. Net foreign direct and portfolio investment inflows in 1999 shot up to \$13 billion, 5.2 times the 1998 level. Taiwan is expected to achieve another BOP surplus in 2000.

Quality of Infrastructure

Taiwan has an extensive and well-developed infrastructure system. Two international airports are located at the north and south ends of the island. Eighteen domestic airports connect major cities and key offshore islands. Five international harbors facilitate import and export trade.

Toll highways and a round-the-island railway form an extensive inland transport network, including a north-south freeway. The average family has more than one telephone and in the three years since private firms were permitted to provide mobile phone services, the mobile penetration rate has shot up to 60%. Pagers, fax machines and personal computers are common for business firms. Virtually every family has access to electricity and household tap water, except in remote mountainous areas.

In the past, traffic congestion, delays in domestic flights, long-waiting times for entry into Taiwan's harbors and tight power supplies were common. Taiwan has stepped up infrastructure construction in response. Several sections of the second north-south freeway have already been opened to traffic. A business group has started construction of the north-south bullet railway. Two other business groups have been picked to build a rapid mass-transit system between CKS Airport and Taipei and a metro system for Kaohsiung, the largest industrial city in southern Taiwan. Privatization of harbor operations in 1998 has eliminated the waiting time for entry into Kaohsiung Harbor, the third largest container port in the world. Thirteen private firms have been authorized to build power plants (although only two have gone into operation as of mid-2000 and no more are expected to go on-line before late 2001). As a result, the reserve capacity of the power grid is expected to increase from less than 9% in early 1999 to 15% in 2002.

CHAPTER III: POLITICAL ENVIRONMENT

Over the past decade, Taiwan has made the transition from a single-party, authoritarian polity to a democratic, multi-party political system. Martial law, which had been in force since the 1940's, was lifted in 1987. Taiwan's first democratically elected legislature was chosen in December 1992. After the second fully democratic election for the national legislature was held in December 1995, Taiwan completed its democratization by holding the first direct election of its President in March 1996. The opposition Democratic Progressive Party (DPP) candidate won the second direct presidential election in March 2000, setting up the first peaceful transfer of power from one party to another in Chinese history. With the inauguration of Chen Shui-bian as President in May 2000, the DPP became the new ruling party. The Party also holds half the County Magistrate and City Mayor posts and 70 of the 225 seats in the Legislative Yuan (LY).

The Kuomintang (KMT, or Nationalist Party), which ran the previous authoritarian government on Taiwan and held most of the key political posts on the island until early 2000, continues to be an important political force. The KMT won 124 of 225 seats in the Legislative Yuan (LY) elections held in December 1998. Some 14 of the 42 members of the new cabinet belong to the KMT, including the Premier, Foreign Minister, and Defense Minister.

A new political party was established in the wake of the March 2000 presidential election by the runner up, KMT-maverick candidate James Soong. His People First Party (PFP) has 17 members in the LY and is in the process of establishing an island-wide political organization. The New Party, which is dominated by second-generation "mainlanders" who favor eventual reunification with a democratic mainland and which broke from the KMT in 1993 in response to its increasing Taiwanization, won eleven LY seats in 1998.

In the 2000 presidential-election campaign, the DPP emphasized the need for political reform and stamping out corruption. The Party also staked out generally populist positions of concern for the environment and for working people. Since its founding, the DPP's most salient policy difference with the KMT has been the issue of Taiwan independence. But during the late 1990s, as the DPP matured and gained a more significant role in Taiwan politics, it modified its stance on Taiwan independence. While some members of the party want the people to decide Taiwan's status through a plebiscite to be held at an unspecified time in the future, the majority effectively agree with the KMT that the "Republic of China" is already a sovereign, independent country, making a formal declaration of independence unnecessary (an act which the People's Republic of China - PRC - has threatened to resist with force, if necessary).

The DPP is seeking to normalize relations with the mainland by resuming the cross-strait dialogue. President Chen's administration is still working out its policy on mainland relations, but says that any issue can be discussed as long as talks are held on an equal footing. The KMT maintains that reunification with mainland China should remain as an ultimate goal, but one that can only be considered after the latter achieves a democratic government and an appropriate level of economic prosperity. In the meantime, the PRC insists that the Taiwan authorities accept its position that there is only "one China" before cross-strait talks can resume.

The defining characteristic of Taiwan's international relationships is the lack of diplomatic ties with most nations of the world. The authorities on Taiwan call their administration the "Republic of China," and for many years claimed to be the legitimate government of all China. The PRC, however, considers Taiwan to be a renegade province with no right to play an independent role in world affairs. The PRC will not maintain diplomatic relations with countries which also have official ties to Taiwan. Most countries have, therefore, chosen to establish diplomatic relations with the PRC. As of May, 2000 twenty-nine countries maintained diplomatic relations with Taiwan. The PRC was admitted to the United Nations and most related organizations in 1971, forcing out Taiwan. The U.S. switched diplomatic recognition to the PRC in 1979.

Several years ago the Taiwan authorities changed policies and now no longer insist that they are the sole legitimate rulers of all of China. While still admitting that Taiwan is part of China, they now seek recognition as one of two "legitimate political entities" in China (the other being the PRC). Under this policy, the Taiwan authorities are seeking to join various international organizations, including the United Nations, but have encountered stiff PRC opposition. Taiwan has been able to join the Asia-Pacific Economic Cooperation (APEC) dialogue as an "economy" and is applying to join the World Trade Organization (WTO) as a "customs territory."

Although the United States does not have diplomatic relations with Taiwan, the U.S.-Taiwan relationship is generally excellent. The American Institute in Taiwan (AIT), a private, non-profit institution, was established in 1979 to maintain the unofficial relations between the peoples of the United States and Taiwan. More than forty other countries, including most major European and Asian nations, also maintain unofficial representation.

CHAPTER IV: MARKETING U.S. PRODUCTS AND SERVICES

Taiwan is the U.S.' seventh largest export market. U.S. goods enjoy a reputation for quality on the island. This is coupled however, with a reputation for high-cost and, sometimes, poor service from U.S. vendors. Nearly every type of sales channel exists on Taiwan. U.S. goods reach end-users through agents, distributors, franchisees, direct marketing, mail order and almost any other imaginable means. Distribution policy varies depending on the type of product and the end-user of the product, but all distribution channels are changing rapidly under the pressures of new demands from sophisticated Taiwan consumers, intensified competition from foreign and domestic rivals and the introduction of new information technologies to the distribution chain.

Marketing products is too complex a subject to be covered in such a brief space, so the comments made here are of necessity very general. Taiwan end-users tend to make purchasing decisions based primarily on price -- although ironically a higher price may be more attractive to the Taiwan buyer of certain kinds of consumer goods. A strong local presence, with a wholly-owned subsidiary, branch office, joint venture or agent/distributor, is another key to success in the market.

Taiwan is a land of small businesses and traders who import from all over the world. The strength of Taiwan's economy is not in its few large firms -- although Taiwan has grown a handful of firms whose presence is beginning to be felt in world markets -- but in its multitudinous small and medium sized firms. There are over one million registered businesses on Taiwan. The island has 144,000 legal factories and probably another 200,000 illegal factories. To sell to these firms, a U.S. firm must find a local partner. Although it may be possible to supply a few types of highly specialized products directly from the U.S., most U.S. firms will find it necessary to have some kind of local presence to market and service their products.

Distribution and Sales Channels

The most common distribution route in Taiwan moves products from suppliers to distributors, from distributors to retailers, and then from retailers to consumers. Some suppliers use shorter distribution channels, distributing products directly through retailers only or, for companies such as Avon and Nu Skin, selling products directly to the consumer. Foreign firms, especially small and medium sized companies, generally rely on agents to sell their merchandise to distributors. However, for certain products, such as apparel, the distribution channels tend to be more complex.

Most foreign firms enter the market through a Taiwan agent. Taiwan firms prefer the partnering aspect of an agency relationship. Although some firms are willing to act only as distributors, there is a fear that firms seeking distributors are not serious about the market and will not support their distributor. Firms selling equipment or machinery frequently find it necessary to find a partner willing and able to do some assembly or manufacturing in Taiwan. Although not necessarily a formal joint venture, these efforts require a higher degree of commitment to the marketplace. If the size of the market warrants, firms may wish to consider setting up a branch office or subsidiary in Taiwan. Taiwan welcomes foreign investments and establishing an office in Taiwan is relatively easy, if sometimes bureaucratic.

There are many ways to find an appropriate agent or distributor in Taiwan. The Commerce Department's Agent/Distributor Service (ADS) program offers U.S. firms a cheap and easy way to identify potential partners. The Taipei Importers and Exporters Association has 8,000 members and is well equipped to help foreign exporters find an agent from among its members. Most Taiwan industry associations publish lists of their members. The China External Trade Organization (CETRA) has four offices in the United States and these offices contain a wealth of information on Taiwan. A listing of CETRA's U.S. Offices is included at the end of this section.

Pricing Structures in Taiwan

Product brand is an important determinant of price policy. Generally speaking, price margins at the distributor level for international brands are lower than for local or regional brands. Distributor price margins range on average between 10 percent and 30 percent, depending on which party maintains responsibility for over marketing. In addition, price breaks and discounts for quantity purchases are frequently offered.

Taiwan importers and distributors widely use modern retail stores for distributing foreign-made consumer goods, such as food/grocery products, apparel, furniture, home furnishings, house wares, electrical appliances, stationary and toys. It is estimated that over 90 percent of imported consumer goods are sold through the four types of modern retail institutions with different price margins:

Department Stores: average 15-35 percent margin
 Warehouse Stores: average 15 percent margin
 Convenience Stores: average 30-40 percent margin
 Supermarkets: average 20-25 percent margin

Establishing an Office

Establishing a subsidiary or representative office is not considered particularly burdensome. However, there are a number of different corporate structures to decide upon and an array of forms and procedures to complete. In addition, a Chinese name is required. Consultations with reputable local attorneys or accountants are highly recommended to properly consider the issues relevant to each business and complete all necessary steps required to become established in Taiwan.

Selling Factors/Techniques

The most important consideration for most Taiwan buyers is initial price. The most common complaint against U.S. goods is that their price is too high. Taiwan businesspeople are notoriously short-term oriented and U.S. firms are frequently frustrated by the fact that most Taiwan firms do not consider the life-cycle cost of a product when making a purchase. Although attitudes are slowly changing, most Taiwan firms will only pay a higher price for a product if they see an immediate payoff in reduced costs. It is difficult to sell a product that is more expensive now, but which will be cheaper over two years -- increase the payback time to four or

five years and the sale becomes almost impossible. After price, the next most important considerations are quality of the goods and after-sales service.

Advertising and Trade Promotion

Taiwan businesspeople are active participants in the global marketplace. They read trade journals from the U.S., Europe and Japan, participate in the major international trade events and are well aware of current trends in their industry. There are local trade shows for most major industries and CETRA is the co-organizer of many of these shows (usually in conjunction with the relevant industry association). A local partner can give the best advice on where and how to advertise, but participation in the major trade shows and advertisement in the relevant Taiwan trade journals and industry newspapers are important.

Information on shows can be obtained from CETRA. The CETRA World Wide Web address is <http://tradepoint.anjes.com.tw/> and Taiwan offers several lists, including a frequently updated calendar for international conferences and trade exhibition held at the Taipei World Trade Center. The WWW address for the calendar is appended to the address:
<http://~/events/index.htm/>

U.S. companies that do not have representatives or agents in Taiwan should target professional journals and magazines. The following are some of Taiwan's major industry newspapers and business publications:

Commercial Times (Daily Newspaper)
Mr. Chang Huei Lin, Deputy Manager
Business Service Department
2F, 68 Ying Peng N. Rd., Taipei
Tel: 886-2-2382-1598, 2381-3199 ext. 2211
Fax: 886-2-2382-1258
E-mail: chenwie@conn2.chinatimes.com.tw

Economic Daily News (Daily Newspaper)
Mr. Town Chung Chao, Deputy Director
Business Services Department
1F, 555 Chunghsiao E. Rd., Sec. 4, Taipei
Tel: 886-2-2768-1234 ext. 2515
Fax: 886-2-2763-4124

Business Weekly (Weekly Magazine)
Ms. Sandra Chang, Manager
Advertisement Department
Rm. B, 21F, 333 Tunhwa S. Rd., Sec. 2, Taipei
Tel: 886-2-2736-8999 ext. 260
Fax: 886-2-2739-9696
E-mail: sandra@bwnet.com.tw

Common Wealth (Monthly Magazine)

Ms. Jocel Liang, President
Advertisement Department
4F, 87 Sungkiang Rd., Taipei
Tel: 886-2-2507-8627 ext. 137
Fax: 886-2-2507-8045
E-mail:jocel@cw.com.tw

Breakthrough (Monthly Magazine)

Ms. King Lane Liang, Assistant Vice President
Advertisement Department
5F, 220 Ta Tung Rd., Sec. 3, Hsichih Chen, Taipei Hsien
Tel: 886-2-2648-5828 ext. 127
Fax: 886-2-2648-4666
E-mail:harment@email.harment.com

Directory of Taiwan (Annual soft cover book)

Published by The Taiwan News (a general circulation newspaper)
10F, 41 Tung Hsing Road, Taipei
Tel: 886-2-8768-3456
Fax: 886-2-8768-2908

Taiwan's advertising sector is comparable to other developed economies and covers a wide range of media. There are some restrictions to advertising, especially the limitation of alcohol and tobacco commercials on television. Major international advertising firms doing business in Taiwan are listed as follows:

Leo Burnett Co. Ltd.

9F, 207 Tun Hwa S. Rd., Sec. 2, Taipei
Tel: 886-2-2732-1211
Fax: 886-2-2732-8810
E-mail:office@leoburnett.com.tw

DDB Needham Worldwide Inc.

6F, 15-1 Hangchou S. Rd., Sec. 1, Taipei
Tel: 886-2-2395-1995
Fax: 886-2-2395-1998
E-mail:jerome.fung@ddb.com.tw

Bates Taiwan Co., Ltd.

6F, 120 Chienkuo N. Rd., Sec. 2, Taipei
Tel: 886-2-2505-5305
Fax: 886-2-2505-5332

Dentsu Young & Rubicam C., Ltd.

17F, 207 Tun Hwa S. Rd., Sec. 2, Taipei

Tel: 886-2-2378-8938

Fax: 886-2-2378-8949

Essential Tips for Entering the Consumer Goods Market

Taiwan is well-known as an industrial dynamo that has been racking up export successes for over twenty years. What is less well known is the fact that this dynamo has produced a domestic consumer market that is now booming. As noted above, all of the trends in Taiwan point toward a growing, but fragmenting consumer market. While the specifics of Taiwan's consumer market are unique, the basics are the same as anywhere. That is to find out what consumers want (or create a product they will want when they see it), to determine what they are willing to pay for it, and to research the most efficient means of getting it to them. U.S. firms wanting to enter the market will find a fairly sophisticated network of support firms who can help them carry out these tasks.

As in the industrial sector, finding a good local partner -- be it an agent, distributor, licensee or joint-venture partner -- is essential. Partners will frequently give guidance on marketing channels, the number of which is bewildering. Consumer distribution in Taiwan is dominated by a vast number of small, independent retailers who are served by a network of wholesalers. As the Taiwan market becomes more attractive to investors and consumers become more sophisticated, however, this simple system is breaking down. Larger chains with greater economies of scale are some of the new players changing the face of Taiwan's retail market.

Major Types of Modern Retail Stores

Modern retail stores such as department stores, warehouse stores, supermarkets and convenience stores, have played increasingly important roles while other types of traditional retail outlets, such as mom-and-pop stores, are becoming less important as consumer patterns change. In 1999 over US\$16.9 billion or 18.2 percent of the consumer goods were sold through modern retail stores. This proportion is expected to increase significantly as many of the over 30 planned shopping malls are developed and new modern retail types, such as category killers and big-box retailers, are introduced to the market.

Department Stores: There are about 50 department stores located throughout Taiwan but concentrated in the large cities. Most of these department stores are run on a Japanese model, i.e., the bulk of the floor space is rented out to concessionaires who pay rent and a fixed percentage -- about 20 percent or so -- of either their gross or net income. Such arrangements help department stores avoid risk and enable replacement of concessionaires recording poor sales. Concessionaires are responsible for decorating and staffing their sales areas. Although the department stores do purchase some merchandise on their own account, most of their sales are through the concessionaires. To compete against the lower priced bulk quantity selections available in warehouse stores, Taiwan department stores carry high-quality, upscale and expensive merchandise. This trend should continue. The introduction of computerized systems to track sales should help department stores in buying and inventory control to alleviate problems associated with the lack of merchandise selection. Because Taiwan consumers are very aware of customer service and atmosphere when shopping, department stores will continue to focus on

distinguishing themselves through special design, decor, fashion shows, art exhibitions, VIP cards, in-store child care and food courts to attract their target market.

Specialty Chain Stores: A relatively new phenomenon in Taiwan is the specialty chain store. U.S. based chains such as Pearle Vision Center and Toys 'R Us have set up outlets in Taiwan, as have firms from other foreign countries, such as Aoyama Suits and Joshin of Japan. These chain stores combining the advantages of central purchasing (nearly all operate their own central warehouses) with product specialization are gaining market share rapidly.

Warehouse stores and Supermarkets: In addition to department stores and specialty chain stores, warehouse stores are proliferating in Taiwan. The largest warehouse store chain on the island is Carrefour, with 22 stores. U.S. warehouse store chains such as Price Costco have also entered the market and enjoyed brick sales. It is estimated that about 40 additional warehouse stores will be opened in the next three to five years.

The current supermarket leader is Hong Kong-based Wellcome. Despite recent slow sales growth, market leaders are opening new supermarkets in areas where no warehouse stores are located. As a whole, warehouse stores are larger stores carrying a diversified range of products at cut-rate prices. While supermarkets carry a small range of non-food products, warehouse stores carry a much broader range of casual clothing, household consumer goods, automotive accessories and other products in addition to products normally purchased in a U.S. supermarket.

Convenience Stores: Now about 5,500 strong islandwide, convenience stores, which offer food products and toiletries 24 hours a day, are major outlets for consumer food items, such as snack foods, beverages and juices. 7-Eleven Convenience Stores, the market leader, has a total of 2,250 stores and plans to reach 4,000 in the next ten years.

Shopping Mall Development Projects: Over the next several years, local developers hope to build 20-30 shopping malls throughout the island, provided that investors can be identified. The island's first composite commercial zone shopping mall, TaiMall, opened on July 4, 1999, and two shopping malls, including Core Pacific and International Finance Center, are scheduled to open in 2001. Eight shopping malls are now under construction. The eight shopping malls are Mall of Taiwan, Metro Walk, Breeze Shopping Center, Taiwan Sugar's Jenteh Shopping Center, Taiwan Sugar's Taichung Shopping Mall, Taiwan Sugar's Miaoli Shopping Mall, Gold & Silver Island Square Shopping Mall and Kaohsiung Zanadu Shopping Mall. Core Pacific Group and Taiwan Sugar Corp. plan to build more shopping malls on the island. Other local major conglomerates such as President and Far Eastern also are looking to actively invest in Taiwan's first wave of large-scale shopping mall projects. The establishment of shopping malls will provide a promising new venue for department stores and specialty chain stores seeking to branch out.

Additional Sale Routes

Franchising: A variety of franchise arrangements exist on the island, ranging from equally shared joint venture partnerships to the Pizza Hut model where stores are managed and operated by a "master franchise" or a regionally based conglomerate. As Taiwan lacks a strong legal basis for

on franchise operations, it is crucial that contractual arrangements entered into by U.S. companies stipulate adherence to corporate policy. To gain a foothold in the market and ensure successful performance, franchises must stress management, personnel training, customer service and consistency in product quality, and seek guarantees for reliable distribution channels. Vital to the successful operation of a franchise in Taiwan is identifying a reliable intermediary capable of enhancing and reinforcing technology transfer. In recent years franchise operations have shifted from fast food restaurants such as McDonalds, Kentucky Fried Chicken, TGIF, Pizza Hut and Burger King to non-food store services such as Cosmed, Tower Records, JaniKing and Midas. As the establishment of shopping malls takes off greater opportunities for franchise operations will abound.

Direct Marketing: The direct marketing channel is developing in Taiwan. "Multi-level sales" is becoming more popular as a second job to supplement household income. Recent figures indicate that there are approximately 2.5 million people working for the 620 "multi-level sales" businesses in Taiwan which specialize primarily in nutrition and health foods, cosmetics and skin care products and household cleaning items. Firms such as Avon, Amway, Nu Skin and Tupperware have taken advantage of the sales skills of ambitious, well-educated Taiwan women to become very successful. Direct marketing techniques such as mail order and Internet marketing are expanding rapidly.

In contrast to the industrial/commercial market, Taiwan consumers in many cases prefer to pay more for goods they purchase. Conspicuous consumption is rampant in Taiwan society and consumers are eager to pay top-dollar for the right brand of cell phone, watch, car, cognac or necktie. While consumers are willing to pay more for perceived value, price competition in the marketplace can be brutal. Firms that charge too much for their products in Taiwan can expect to find parallel importers undercutting their efforts. Consumers are extremely brand-conscious, but they are willing to shop around to find the lowest price on their favorite brand. Moreover, when brand is not important, consumers buy on price.

Selling to the Authorities

Selling to the Taiwan authorities deserves a special mention as there are both excellent opportunities and major obstacles for U.S. firms interested in Taiwan public procurement. Many large, technically complex tenders are let by the Central Trust of China (CTC), a quasi-state organization that has procurement and other responsibilities. Agencies that need to purchase equipment inform CTC of their requirements. CTC announces and administers the tender procedures, with technical evaluations performed by the purchasing entity or its surrogates (such as outside consulting firms). CTC tenders may be local (limited to firms with a Taiwan office) or international (also open to firms outside of Taiwan), but both kinds of tenders are generally conducted fairly and openly. U.S. firms have a well-established record of success in winning CTC-administered tenders.

While CTC handles a large portion of Taiwan authority purchases of advanced equipment, the bulk of Taiwan authority purchases are administered by the purchasing entities themselves. Nearly all of these tenders are open only to firms with a local presence, and it can be difficult for outsiders to obtain advance information on such tenders. CTC itself estimates that they procure

less than 10 percent of the authorities total procurement. In addition to the authorities' extensive infrastructure spending, important portions of the economy are still in the hands of authority-owned entities -- significant parts of the energy industry, telecommunications, and the production of liquor and tobacco products are authority monopolies or near monopolies.

U.S. firms have scored some major successes in public procurement, but U.S. companies also have serious complaints about the system. The contracting entities tend to wield excessive power over the contractor: exorbitant potential liabilities, cumbersome change order procedures and expensive bonding requirements are common. Contracting entities tend to view contractors as adversaries, which can make normal business dealings strained. Taiwan bureaucrats tend to believe that the penalty for making no decision is always less than the penalty for making the wrong decision and this attitude can result in frustrating delays or unreasonable demands on the contractor as bureaucrats seek to take the safest course of action. Conflict of interest laws in Taiwan are not as fully developed as those in the United States. Firms employing relatives of existing officials and/or retired officials have an inside track on Taiwan authority contracts.

Taiwan's new Government Procurement Law (GPL) went into effect on May 27, 1999. It had been hoped the GPL would do much to significantly improve the transparency and fairness of procurements by the authorities. And while there is certainly some movement in the right direction, the GPL is proving to be a disappointment: contract terms and conditions are still often extremely one-sided; local companies sometimes make frivolous complaints under the GPL in order to be given a piece of the action; and the authorities have not yet organized a binding arbitration mechanism for government procurement disputes. For these and other reasons, Taiwan's government procurement practices were for the first time in May 2000 listed on a United States Trade Representative report, the "Title VII Report", as causing concerns to the United States Government.

Until Taiwan joins the WTO, individual procuring entities are expressly permitted under the GPL to discriminate against foreign firms (although such express discrimination is rare).

CETRA Offices in the United States

U.S.A. - Chicago
Taiwan Trade Center, Chicago
Director: Jen-shing Pan
225 North Michigan Ave., Suite 1888
Chicago, IL 60601
Tel: 312-803-8888
Fax: 312-803-3333
E-mail: fets3@aol.com

U.S.A. - Miami
Taiwan Trade Center, Miami
Deputy Director: Carlos Liu
5301 Blue Lagoon Drive, Suite 150
Miami, FL 33126

Tel: 305-266-9191
Fax: 305-266-8787
E-mail: ttcn@shadow.net

U.S.A. - New York
Taiwan Trade Center, New York
Director: John C. Liu
1 Penn Plaza, Suite 3410
New York, N.Y. 10119
Tel: 212-904-1677
Fax: 212-904-1678
E-mail: cetrany@frontiernet.net

U.S.A. - San Francisco
Taiwan Trade Center, San Francisco
Director: Eugene I.J. Chen
555 Montgomery St., Suite 603
San Francisco, CA 94111-2564
Tel: 415-788-4304
Fax: 415-788-0468
E-mail: cetra.sf@ix.netcom.com

Protecting Your Product from IPR Infringement

While Taiwanese companies are well-known for their ability to quickly incorporate ideas found in competing products, Taiwan's copyright, patent, trademark, trade secret and integrated circuits laws already meet most international standards. There is general respect for those laws, and major local and international distributors who are notified they are selling counterfeit goods will typically cooperate with the rights holder and cease sales. Market monitoring systems (for both the export and domestic Taiwan market) appear to have helped deter to some extent the sale of counterfeit goods. Patent, copyright and trademark holders should of course investigate the need to or desirability of filing for those rights in Taiwan.

While Taiwan is not a member of the Bern or Paris Conventions, it generally adheres to the principles embodied in those agreements. The Copyright Law, Patent Law and Trademark Law were further amended in 1997 by the Taiwan authorities to conform with all TRIPS standards in fulfillment of its commitments made during the process of WTO accession negotiations with the United States and other trading partners. However, the amended part of the Patent Law will not go into effect until Taiwan accedes to the WTO. In response to requests from the U. S., the Taiwan authorities already required imprinting the source identification (SID) code on all compact diskettes beginning July 1999.

Criminal sentence, including jail terms for egregious cases, are routinely meted out by Taiwan courts in intellectual property rights (IPR)-related cases, although police and courts are reportedly less willing to act in weaker cases. Compensation for economic loss is also available, although enforcement of injunctions and other judgments can often be difficult.

Local Attorneys, Accountants and Insurance Companies

Taiwan has a comprehensive, modern legal system and with it a good number of highly regarded local and international law firms or legal consultants. Many Taiwanese attorneys active in the international business area have studied law in the United States, speak excellent English and understand well the concerns of American businesses. Consultations with a competent local attorney prior to engaging in business with the Taiwanese or in the Taiwan market is highly recommended.

Likewise, the major U.S. and global accounting firms and insurance companies have offices and are very active in Taiwan. Any U.S. firm interested in entering the Taiwan market should make a point of meeting with these professional advisors. Not only can they provide advises on their specific areas of expertise, but on a wide range of business and cultural matters that may be of concern.

Up-to-date lists of professional firms may be obtained from the American Chamber of Commerce in Taiwan (see Chapter XI, Appendix E) or the latest Directory of Taiwan (see Chapter IV).

Checking Bona Fides

Prior to entering into a relationship with an unknown Taiwanese company, a U.S. firm would be wise to confirm the reputation of the Taiwanese company. Local attorneys and accountants can be excellent sources of information, as can trade associations. More formally and for a fee, a number of private companies in Taiwan provide excellent company background information checking services:

Dun & Bradstreet International Ltd., Taiwan Branch
12F, 188 Nanking East Road, Sec. 5
Taipei, Taiwan
Tel: 886-2-2756-2922
Fax: 886-2-2749-1936

Estimated cost per Dunn & Bradstreet report is US\$290 and can be ordered from Dunn & Bradstreet in the United States.

China Credit Information Services, Ltd.
5F, Building C, 115 Tung Hsin Street
Taipei, Taiwan
Tel: 886-2-2765-3266
Fax: 886-2-2765-6033

A standard CCIS report costs \$150 and takes 2-3 weeks; an expedited report, taking a 10-12 days, costs US\$185.

CHAPTER V: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Best Prospects for Non-Agricultural Goods and Services

Rank	Industry Sector	Est. Dollar Growth in U.S. Exports for the year 2000*
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01.	Elec. Ind. Prod/Test Equipment	897
02.	Laboratory Scientific Instruments	263
03.	Computer Software	157
04.	Electronic Components	147
05.	Computer Services	140
06.	Computers/Peripherals	115
07.	Process Control-Industry	55
08.	Education/Training	40
09.	Plastic Materials/Resins	38
10.	Medical Equipment	35
11.	Travel/Tourism Services	30
12.	Telecommunications Equipment	23
13.	Electrical Power Equipment	15
14.	Pumps, Valves/Compressors	10
15.	Pollution Control Equipment	7

* in US\$ millions

01 - Electronics Industry Prod./Test Equipment (EIP)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	4,543	9,713	13,350
B. Total Local Production	3,000	3,950	5,000
C. Total Exports	1,936	2,645	3,400
D. Total Imports	3,479	8,408	11,750
E. Total Imp from the U.S.	1,008	2,303	3,200

Narrative: With several on-going and proposed high-tech investment projects, such as TFT-LCD as well as eight- and 12-inch silicon-wafer fabrication plant constructions, and growing production of advanced electronic products and components, sales prospects for advanced EIPT equipment are bright. Most advanced EIPT equipment must be imported to meet domestic demand since Taiwan-produced equipment is still limited to simple, low-value added products. The United States leads the market for semiconductor EIPT equipment, while Japan controls the EIPT markets in finished electronic products and passive components. Japanese EIPT firms are taking a very aggressive approach to the fast growing and lucrative semiconductor market. Nevertheless, U.S. EIPT suppliers can be expected to continue as a major source of specialized

EIPT equipment for the industrial/commercial electronics and active components industries due to their excellent performance, high reliability and durability.

02 - Laboratory Scientific Instruments (LAB)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	2,644	3,116	3,600
B. Total Local Production	860	1,430	2,000
C. Total Exports	722	1,200	1,700
D. Total Imports	2,506	2,886	3,300
E. Total Imp from the U.S.	716	987	1,250

Narrative: Taiwan has made great efforts to improve its R&D environment. Public R&D expenditure on a wide range of projects has increased yearly. By 2002, over US\$20.8 billion R&D budget will be devoted by the authorities to science and technology development. The authorities have also provided the private sector with attractive R&D tax incentives and other support. Sales of laboratory scientific instruments have risen in the computer, semiconductor and telecommunications sectors. With a number of on-going and proposed high-tech investment projects and increasing production of advanced electronic products/components, information appliances and telecommunications products, the demand for laboratory scientific instruments will be further stimulated. The Taiwan market for imported laboratory scientific instruments will grow as the Taiwan authorities continue to actively promote industrial upgrading and emphasize the need for increased research and development over the next five years.

03 - Computer Software (CSF)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	898	1,154	1,450
B. Total Local Production	532	662	830
C. Total Exports	173	200	250
D. Total Imports	539	692	870
E. Total Imp from the U.S.	485	623	780

Narrative: Because the Taiwan software industry is currently in its early developmental stage, the local market relies heavily on imported software. Because of growing awareness of intellectual property rights, local purchases of foreign-developed software have expanded rapidly in recent years. American software vendors dominate, and will continue to dominate the Taiwan market in coming years. High-demand U.S.-origin software modules include operation systems, Internet/networking software, suite software, system tools for PCs platform/operation systems and software tools for workstations and above workstation platforms. Strong demand for personal computer installations by households and private businesses propels the market expansion of PC-based software products. U.S. companies should consider localization of their products for Chinese language users. The demand for U.S. origin software is expected to continue to increase substantially in Taiwan.

04 - Electronic Components (ELC)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	30,141	36,782	43,400
B. Total Local Production	27,238	36,051	45,000
C. Total Exports	14,113	18,004	22,100
D. Total Imports	17,016	18,735	20,500
E. Total Imports from the U.S.	3,369	3,483	3,630

Narrative: Taiwan electronic firms, especially information technology product producers, are importing leading edge components -- especially integrated circuits (ICs) -- to maintain the competitiveness of their assembly operations. The expected expansion in the use of advanced components will lead to increased imports from U.S. companies because of their superior technology. U.S.-made semiconductors are very competitive, ICs in particular. American firms face their stiffest competition from Japanese companies which have led the passive component and display/tube markets. Taiwan-produced components are suitable mainly for consumer electronic product applications.

05 - Computer Services (CSV)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Sales	933	1,270	1,685
B. Sales by local firms	585	793	1,050
C. Sales by foreign firms	348	477	635
D. Sales by U.S.	313	430	570

Narrative: The market for computer services will continue to expand over the next several years. In particular, electronic information streaming and exchange services, web hosting services, web space management and network linking services, application service provision and system consultation and customization services show significant growth potential due to projects related to electronic commerce and enterprise integration in both the public and private sectors. Because prevailing Internet and EC technologies and applications were developed in the U.S., which also remains the primary manufacturer, designer, and service provider of computer and IT related technologies, U.S. computer service providers have a strong reputation for performance and advanced functions with integrated solution capabilities. Although U.S. firms face increasing competition from active European firms, U.S. software firms and service providers have strong market opportunities in Taiwan.

06 - Computers/Peripherals (CPT)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	6,213	9,975	13,750

B.	Total Local Production	22,543	25,743	29,000
C.	Total Exports	21,413	24,238	27,100
D.	Total Imports	5,083	8,470	11,850
E.	Total Imports from the U.S.	437	535	650

Narrative: The market for computers and peripherals offers substantial sales opportunities for U.S. suppliers. This is due to the rapid development and popularity of the Internet, B2B electronic commerce, local awareness of the importance of computerization and information automation and the promotional activities of the Taiwan authorities to spur the expansion of the computer market in Taiwan. As well, local industry, financial institutions, academic research institutes, and public schools are actively modernizing their computer and networking systems to enhance production capability, office productivity, and management efficiency.

07 - Process Control-Industry (PCI)

		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	1,258	1,229	1,295
B.	Total Local Production	315	305	310
C.	Total Exports	222	213	215
D.	Total Imports	1,165	1,137	1,200
E.	Total Imports from the U.S.	252	360	415

Narrative: Industrial process control equipment plays an increasingly vital role in Taiwan as the economy continues to climb into a modern, technology and automation oriented stage. Taiwan manufacturers' continuing drive to modernize their production equipment is spurred by the island's labor shortage and rising labor costs as well as by the Taiwan authorities' active promotion of industrial upgrades to improve their competitiveness in world markets. Consequently, Taiwan's demand for industrial process controls is growing and is expected to be sustained through tax and R&D incentives for private investment in industrial upgrading and factory automation.

08 - Education/Training (EDS)

		1998	1999	2000(e)
		-----	-----	-----
A.	Total Expenditures	17,579	19,987	22,400
B.	Spending at Home	16,578	18,916	21,250
C.	Expenditures Abroad	1,001	1,071	1,150
D.	Spending in the U.S.	465	495	535

Narrative: In 1989, Taiwan relaxed "Rules Governing Advanced Study Abroad" and reopened overseas study to senior high school graduates. Due to rising family incomes, the number of students pursuing study abroad on a self-financed basis has been on the increase in recent years. According to Taiwan statistics, 40-45 percent of students pursuing study abroad have gone to the United States. In recent years, short-term language study and overseas summer camp have been

in great demand. In recognition of this growing market, and the value placed on English language skills in Taiwan, the U.K., Canada and Australia have stepped up marketing to attract students.

09 - Plastics Materials/Resins (PMR)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	6,067	6,379	6,700
B. Total Local Production	6,950	7,570	8,200
C. Total Exports	3,045	3,548	4,100
D. Total Imports	2,162	2,357	2,600
E. Total Imports from the U.S.	441	472	510

Narrative: Local demand for high value-added plastic materials and resins for use in the industries with rapid growth such as electronic, communication, automobile, textile, package, medical supplies and sporting equipment has grown significantly. Environmental protests against new projects or expansion of petrochemical plants and lack of R&D and skilled technicians have impacted the development of high valued-added products on the island. Imports of high-end plastic materials and resins, particularly composite and engineering materials, are thus on the rise, providing foreign suppliers with excellent sales opportunities.

10 - Medical Equipment (MED)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	629	707	800
B. Total Local Production	270	290	320
C. Total Exports	124	133	145
D. Total Imports	483	550	625
E. Total Imports from the U.S.	200	230	265

Narrative: Recent rapid changes in social and economic development and disease patterns have not only expanded the scope of health care but also made people pay more attention to their own health. Due to limited domestic production, most advanced medical equipment must be imported. Opportunities for U.S. suppliers of high-end medical devices are good and will likely remain so through the next decade. However, the low-end products which domestic manufacturers focus on have had particularly competition.

11 - Travel/Tourism Services (TRA)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Spending	12,144	13,585	15,030
B. Inbound Travel Spending	7,094	7,980	8,870
C. Outbound Travel Spending	5,050	5,605	6,160

D.	Spending in the U.S.	1,106	1,105	1,135
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Narrative: Taiwan's overseas travel is growing steadily with a yearly increase of about 10 percent. The United States has been, and remains, by far the most popular destination for those in Taiwan traveling outside of Asia. Although many Taiwan long-haul tourists have already gone to the U.S., they still consider the U.S. as the most attractive country with numerous scenic spots warranting repeat visits. Many airlines increases flights every summer to meet peak season demand. Fierce competition has forced Taiwan travel agencies to offer more attractive package tours at competitive prices. Eight-day tours to the West Coast are the most popular packages. While a large percentage of sightseeing trips to the U.S. on package tours, the number of independent travelers is growing rapidly. Tours specially designed for parents and kids, especially in summer and winter breaks, are growing in popularity also.

12 - Telecommunications Equipment (TEL)

		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	2,656	2,796	3,010
B.	Total Local Production	3,509	3,614	3,720
C.	Total Exports	2,972	3,497	3,620
D.	Total Imports	2,119	2,679	2,910
E.	Total Imports from the U.S.	515	402	425

Narrative: Taiwan's telecommunications liberalization has stimulated demand for network infrastructure and customer premises equipment products. Ongoing liberalization of Taiwan's fixed-line telecom services (local, domestic long distance, and international telephone) and expected opening of the submarine cable sector should offer substantial long-term business opportunities for U.S. fixed-line network equipment suppliers. After privatization of the mobile telephone sector in 1998 and the tremendous growth in this market, U.S.-made mobile phone handsets should maintain their strong market position, due to strong brand name recognition and superior perceived quality. American firms face strong competition from Japanese companies which have led the sales of corded CPE, fax machines and key telephone systems in particular. Corded CPE and public switching systems are the mainstay of Taiwan's telecommunications equipment industry.

13 - Electrical Power Equipment (ELP)

		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	2,988	3,254	3,450
B.	Total Local Production	3,300	4,000	4,700
C.	Total Exports	2,618	3,271	3,950
D.	Total Imports	2,306	2,525	2,700
E.	Total Imports from the U.S.	448	415	430

Narrative: The Taiwan Power Company (Taipower) plans to upgrade existing generation facilities and to build new fossil thermal-fuel power plants in addition to the on-going construction of the fourth nuclear power plant. To address Taiwan's electricity shortage, local manufacturing industries plan to invest in electricity cogeneration and the authorities have given final approval for eleven independent power plants (IPPs). Prospects for U.S. equipment suppliers look promising. Taiwan production of large electrical generating equipment is negligible. Foreign suppliers will continue to play important roles in this area although foreign suppliers will still be in a seller's market for the next five years.

14 - Pumps, Valves/Compressors (PVC)

		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	1,372	1,331	1,350
B.	Total Local Production	925	910	905
C.	Total Exports	726	714	710
D.	Total Imports	1,173	1,135	1,155
E.	Total Imports from the U.S.	266	240	250

Narrative: Continued expansion of such industries as petrochemicals, petroleum, chemical, food processing and metal & steel are bolstering the market growth for industrial pumps, valves and compressors. As public pressure and stricter environmental protection regulations and laws are forcing local industries to control their wastewater and sewage discharge, this setting will also stimulate the market demand. Foreign firms will continue to dominate the market since local competition still remains only in the less complex and small-medium size product areas. However, aggressive marketing efforts are essential for American suppliers to improve their market position in Taiwan.

15 - Pollution Control Equipment (POL)

		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	831	877	920
B.	Total Local Production	485	510	535
C.	Total Exports	384	404	425
D.	Total Imports	730	771	810
E.	Total Imports from the U.S.	161	158	165

Narrative: The market for pollution control equipment in Taiwan has recently been stimulated by legislation that calls for stiff penalties. Two most recent pieces of legislation are the "Air Pollution Control Act" and the "Soil and Groundwater Remediation Act." Areas that will witness significant growth include air pollution equipment, solid waste, recycling technologies, and hazardous waste. Market watchers expect this sector to grow by around seven percent in the coming years. Best prospects for Taiwan will be higher technologies pollution control equipment and cleaner production technologies for the semiconductor, petrochemical, pulp and paper and electroplating industries.

Note: The above statistics are unofficial estimates.

Best Prospects For Agricultural Exports To Taiwan

Rice (1,000 mt)		1998	1999	2000 (e)
		-----	-----	-----
A.	Total Market Size	1,393	1,393	1,393
B.	Total Local Production	1,311	1,400	1,400
C.	Total Exports	55	113	100
D.	Total Imports	3	4	6
E.	Total Imports from the U.S.	0.1	0	0

Almost all rice consumed on Taiwan is domestically grown. All rice imports, except for small amounts of glutinous rice are banned. Most glutinous rice imports are from Thailand and other southeast Asian countries. When Taiwan enters the WTO it will lift its ban on rice imports. First year imports under a tariff rate quota, if entry occurs in 2000, will be 127,353 mt (milled basis) which is equal to about 9 percent of the current market size. If Taiwan's WTO accession is delayed beyond 2000, the size of the first year quota will be consistent with the requirements of the WTO Agreement on Agriculture concerning rice trade for that year. The US is expected to capture a good share of this future rice market with a projected annual value of \$17 million. US premium quality rice is competitive with domestically grown koshihikari rice and medium grain Japonica rice which, combined, currently account for 87 percent of Taiwan's total consumption.

Pork (carcass wt. equivalent, 1,000 mt)		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	971	940	900
B.	Total Local Production	892	820	850
C.	Total Exports	3	0	0
D.	Total Imports	22	86	50
E.	Total Imports from the U.S.	18	65	40

As a result of the March 1997 outbreak of foot-and-mouth disease (FMD) Taiwan's pig numbers have fallen by nearly a third, resulting in a serious shortage of pork products, especially pork bones and variety meats. Pork imports in 1999 were four times the 1998 level. In 2000, domestic production is bouncing back somewhat and pork imports are expected to decline. However, the demand for pork bones and variety meats will remain strong in 2000. Imports of pork variety meats (offal), pork bellies and several pork cuts are banned entry, except for limited amounts that are allowed entry under quotas established in the Taiwan WTO pre-accession agreement. Quota imports of US pork bellies and offal under quota have been allowed since August 1998, and non-US quota imports have been allowed since July 1, 1999. This year Taiwan merged the US and non-US quotas into a global quota open to all WTO members on an MFN basis if they meet Taiwan's quarantine requirements. Eligible countries are the US, Canada, Australia, New Zealand and Sweden. Japan and Korea, which recently reported FMD

cases, were disqualified in March 2000. The 2000 quota is 6,160 mt for pork bellies and 10,000 mt for pork offal.

Poultry (ready-to-cook, 1,000 mt)		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	734	774	766
B.	Total Local Production	728	746	746
C.	Total Exports	5	5	5
D.	Total Imports	11	33	25
E.	Total Imports from the U.S.	11	31	22

Whole turkey imports, mainly from the US, are basically consumed only by Westerners during the Thanksgiving/Christmas season. However, in recent years, deboned turkey thigh meat has been imported by food processors to substitute for more expensive domestic pork. This was especially the case in 1999 when local hog prices were extremely high due to short supply. Imports of chicken meat are banned entry, except for limited amounts that are allowed entry under quota. US chicken meat, as agreed to in the US-Taiwan bilateral WTO pre-accession agreement, has been entering Taiwan under a 10,000 mt annual quota since August 1998. On July 1, 1999, Taiwan also opened a 9,163 mt quota for non-US chicken meat. This year Taiwan merged the US and non-US quotas into a global quota open to all WTO members on an MFN basis. However, only the US, Canada and Australia comply with Taiwan's quarantine requirements. Canada and Australia have shown little interest in this market, and therefore, the US is expected to capture the lion's share of the quota. Imports of poultry offal are banned. Taiwan will establish a tariff rate quota for poultry offal upon accession to the WTO.

Fruit & Vegetable Juices (US\$ million)		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	219	252.5	270
B.	Total Local Production	195	225	240
C.	Total Exports	12	13	13
D.	Total Imports (incl. froz/conc)	36	41	43
E.	Total Imp. from U.S. (incl. froz/conc)	13	12	15

1999 was a year in which shelf space for traditional convenience drinks continued to give way to bottled water, juices, and premium priced soda waters. Health continues to be the engine driving consumer demand and the expansion of convenience retailers to include in-store lunch/meal items means that middle class consumers in increasing numbers are going to 7-11, Family Mart, Circle-K, and other one-stop stores, for a quick meal on the go. Many foreign suppliers compete for the lucrative import market, but the US still maintains a leading market share, 28.4 percent in 1999 when Taiwan imported \$11.5 million worth of US fruit juices. Of these US sales, slightly over 98 percent were comprised of 100 percent pure juices, concentrates, and frozen concentrates. The top four US exports to Taiwan, in the order of importance, are orange, apple, grape and grapefruit juices. Most of the volume arrives as frozen and liquid concentrate for re-processing by local packers. The most significant market opportunities for US exporters are seen in two key areas, namely sales of concentrate to local packers and sales of branded retail pack juices to local distributors. While demand for core juices such as orange and apple is expected to

remain strong, the Taiwan retailer's penchant for offering customers "new" and "niche" flavors provides opportunities for more innovative juices and juice blends - such as cranberry, blueberry, pear and others. However, when marketing the latter, be prepared to provide sufficient supporting data regarding consumer acceptance in other markets, potential health benefits, POS marketing assistance available, etc. Also, if such juices are to be used in blends with other juices or ingredients, assistance with formulas or recipes may be requested as part of a business sale. Taiwan consumers are expected to continue to increase their consumption of imported fruit juices/drinks at an average annual clip of five percent through 2003. Prior to Taiwan's entry into the WTO, import tariff rates will remain at their present, relatively high, levels. (Orange juice: 42.5 percent; other pure juices: 40 percent; juice mixtures: 35 percent; and any juice used in infant food: 7.5 percent). Besides tariffs, non-100 percent fruit juices are also assessed an extra 8-15 percent value-added "commodity tax."

Chocolate and Other Candy
(US\$ million)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	289	233	250
B. Total Local Production	255	206	210
C. Total Exports	34	35	30
D. Total Imports	62	62	70
E. Total Imports from the U.S.	9	9	12

Between 1993 and 1998 the value of imported candy products grew at an average annual rate of 9 percent. However, there was no growth in 1999 when Taiwan imported \$62 million worth of candy, about the same as in 1998. Last year Italy was the largest supplier (14 percent market share), followed by the United States (12 percent), Japan (10 percent), Australia (10 percent), Switzerland (3 percent), and the Netherlands (2 percent). The United States used to have the largest market share, but the recent entry of major European chocolate product manufacturers has shifted some market share away from US suppliers. Taiwan retail industry sources indicate US candy products are very competitive, both in terms of quality and price. Marketing efforts should focus on promoting candy gift packs during the peak candy season (November-February), which covers Christmas, Chinese Lunar New Year and Valentine's Day.

Snack Foods (Potato Chips)
(US\$ million)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	93	99	100
B. Total Local Production	70	72 (est.)	70
C. Total Exports	0	0	0
D. Total Imports	23	27	30
E. Total Imports from the U.S.	19	24	24

Snack foods are an important part of the Taiwan diet. The variety of snack foods available is broad and product categories are not well defined. The most popular snacks are preserved fruits and seeds; dried beef/seafood/tofu; flavored nuts and vegetables; confectionery products; baked goods; biscuits, cookies and crackers; and western-style chips. US manufacturers of potato chips

have been the most successful in this market, with 89 percent of the market. Currently, there is increasing competition from other countries such as the United Kingdom and other EU countries. Potato chips are distinctive from other snack foods in flavor and therefore competition from local snack foods is not a problem. Prospects for US potato chip exports to Taiwan are quite good.

Peaches/Nectarines/Plums
(US\$ million)

	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	79	78	85
B. Total Local Production	42	35	34
C. Total Exports	0	0	0
D. Total Imports	37	49	51
E. Total Imports from the U.S.	33	40	45

Taiwan is among the top 3 consumers of exported US tree fruits. From the United States, white flesh (sweet) peaches are far and away the best seller in the market, with yellow flesh (tart) peaches a distant second. The US was an early entrant into the local market and should retain in the neighborhood of 90 percent of the tree fruit import market for at least the next five years. While with aggressive marketing US tree fruit may grow at rates higher than the market, industry experts see import demand rising between 8 and 12 percent annually over the coming five years giving a total import market of \$75 million or more in 2004. New competition from China (low price) and Japan (perceived quality) for the Taiwan peach market will pose the greatest challenge to US market share after Taiwan's WTO entry. However, it is not known whether Taiwan and the PRC will normalize the trade of agricultural products immediately after both markets enter the WTO. Taiwan currently bans most of China's agricultural products. Finally, even if current bans on PRC fruit are lifted, China's imports will still have to meet Taiwan's stringent quarantine and pesticide residue requirements, which may not be possible in the short run. The current import tariff rate for peaches and nectarines is 40 percent, and the rate for plums is 35 percent.

Beef

(carcass wt. equivalent, 1,000 mt)	1998	1999	2000(e)
	-----	-----	-----
A. Total Market Size	81	79	80
B. Total Local Production	5	5	5
C. Total Exports	0	0	0
D. Total Imports	82	94	99
E. Total Imports from the U.S.	19	20	22

Over 90 percent of Taiwan's beef demand is supplied by imports. The US dominates the market for high value special quality beef while Australia is the major supplier of cheaper cuts. Beef imports grew by 14 percent in 1999 due mainly to low beef prices and high domestic prices for pork. Beef imports are expected to continue growing in 2000 but at a slower pace because domestic pig prices are lower this year, and world beef prices are higher (pork substitutes for beef when beef prices are high). In 1999, the US share of Taiwan's beef import market was 21 percent in terms of volume and 30 percent in terms of value. Imports of beef variety meats

(offal) are banned entry, except for limited amounts that are allowed entry under quota. US beef variety meats, as agreed to in the US-Taiwan bilateral WTO pre-accession agreement, have been entering Taiwan under a 5,000 mt annual quota since August 1998. On July 1, 1999, Taiwan also opened a 5,000 mt quota for non-US beef offal. This year Taiwan merged the US and non-US quotas into a global quota open to all WTO members on an MFN basis. WTO countries that meet Taiwan's quarantine requirements for beef are the US, Canada, Australia, New Zealand and Sweden. Japan and Korea were disqualified in March 2000 due to recent cases of foot-and-mouth disease.

Wine (US\$ million)		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	85	45	75
B.	Total Local Production	10	10	10
C.	Total Exports	0	0	0
D.	Total Imports	75	35	65
E.	Total Imports from the U.S.	9	5	13

In 1998 Taiwan imported more wine than the market could absorb. In 1999 the glut of wine in importers' and Custom's warehouses worked its way through the system, and imports plummeted by 50 percent. In 1999, despite the decrease in imports, despite the September 1999 earthquake, and despite the lingering effects of the Asian financial crisis, retail wine sales were not down significantly. By the close of 1999, Customs reported that the majority of the imported wine yet to be claimed by importers had been destroyed or otherwise disposed of. Importers still have a backlog of wine in stock, but the overall supply situation is much improved over last year. With a middle class that survived the Asian financial crisis largely unscathed and a significant contingent of professionals with living and study experience in the US, the outlook for sales of US wine in 2000 and beyond is rosy. The market's traditional penchant for French wine can be expected to be tempered somewhat by local taste for "fruitier" wines, by the positive image that Taiwan consumers have of California and the US, and by the bad impression left by the glut of low quality, and poorly-warehoused French label wines that have flooded the market in the past few years. Label loyalty and increasing consumer sophistication is expected to benefit US producers.

Grapes (US\$ million)		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	63	63	64
B.	Total Local Production	51	45	42
C.	Total Exports	0	0.1	0
D.	Total Imports	11	18	22
E.	Total Imports from the U.S.	10	17	20

Taiwan continues to be one of the US grape industry's most significant export markets. Reported US grape imports into Taiwan of \$17 million during 1998 gave US product over 94 percent of the import market and over 1/4 of all retail market sales in 1999. The US and Chile are the only countries presently allowed to export grapes to Taiwan. However, a certain quantity of grapes enters Taiwan outside of Customs oversight - primarily from China. Local production has been

declining for the past decade and, with grapes being one of the most widely accepted fresh fruits in a high fruit consumption market (average 9 pounds per person per year), prospects for continued strong grape exports to Taiwan are bright. The current tariff rate is 38 percent. Upon Taiwan's accession to the WTO, the market will be open to all countries meeting phytosanitary constraints. With its present positive consumer image and established sales relationships, it is anticipated that US table grape suppliers will remain by far the dominant player in this market even after Taiwan's WTO accession.

Pet Food (US\$ million)		1998	1999	2000(e)
		-----	-----	-----
A.	Total Market Size	49	56	58
B.	Total Local Production	12	13 (est.)	13
C.	Total Exports	0.2	0.5	0.5
D.	Total Imports	37	43	45
E.	Total Imports from the U.S.	19	13	15

The market for imported pet food in Taiwan grew from \$32 million in 1993 to \$43 million in 1999. In 1999, Australia had the largest market share (43%), followed by the United States (31%), Thailand (7%), Canada (5%), and Japan (5%). The growth in the Taiwan pet food market can be attributed mainly to a change in attitude toward animals as pets and a subsequent shift from feeding table scrapes to stray animals to serving pet food to well cared-for pets. With rising incomes and strong western influences, dogs are now a symbol of affluence. Imported pet food maintains a market share of 75 percent, even though retail prices for imported pet foods are higher than locally produced pet products. Taiwan pet food imports are expected to grow moderately over the next few years. Average (1996-1999) imports from the United States: \$16.5 million. Currently, the ratio of dried and canned pet food is 55:45. Major brands in the Taiwan market include: Pedigree (Australia), Taffy's (US), Chappi (Australia), 9Lives (US), Max (US), Whiskas (Australia), Iams (US), Good-O (Australia), Buddy (Australia), Petlife (Taiwan), Friskies (US, Australia), Science (US), and Natures (US). Pet food is sold in pet shops, pet clinics, department stores, and supermarkets with a pet food corner. According to the Council of Agriculture, Taiwan currently has a population of 2.77 million dogs (including 660,000 strays). Official data for cat ownership is not available. It is estimated that Taiwan has approximately 300 pet stores, not including street vendors. In addition, there are over 2,000 pet clinics and a growing number of pet beauty parlors.

CHAPTER VI: TRADE REGULATIONS, CUSTOMS AND STANDARDS

Import Tariffs/Non-Tariff Barriers and Import Taxes

Non-Agricultural Products and Products Generally

Tariffs: In May 1998, Taiwan began implementing tariff cuts on 1,130 items, many of specific interest to U.S. industry, such as buses, agricultural products, and camera film. In February 1999, Taiwan waived tariffs on 15 aircraft components as part of plans to accede to the WTO Agreement on Trade in Civil Aircraft. An additional 777 items are slated for tariff cuts pending legislative approval. Taiwan's current average nominal tariff rate is 8.2 percent; the trade-

weighted rate is 3.1 percent, both down slightly from 1998. Taiwan is a participant in the Information Technology Agreement (ITA). Under the ITA, Taiwan has agreed to phase out tariffs on information technology products. The first tranche of ITA-related cuts was implemented on a temporary basis on July 1, 1997 under administrative order. A second tranche of cuts went into effect on January 1, 1998. While the vast majority of tariffs on these products are phased out as of the year 2000, for some products reductions will not be completed until 2002. The administrative order must be renewed annually until Taiwan enacts permanent reductions in connection with its accession to the WTO.

In addition to the import duty, importers must also pay a 0.3 percent harbor due and a 5 percent value-added tax. Goods entering Taiwan by airfreight or parcel post are exempt from harbor fees. A commodity tax must be paid if an imported product falls into one of seven commodity categories. The rates range from 2-60 percent. The tax is assessed on the C.I.F. and duty-paid value of affected imports. The seven commodity categories include rubber tires, cement, beverages, oil and gas, electric appliances, flat glass, and automotive products.

Prohibited Imports: Narcotics are barred from entry into Taiwan. Arms and munitions are banned outright. In addition, Taiwan maintains a de facto ban on the importation of fishing boats (including sport-fishing boats), which has frustrated the efforts of several U.S. firms. Motorcycles with engines larger than 150cc likewise require a special permit and are thus effectively banned from importation, although such imports will be permitted upon Taiwan's accession to the WTO.

Import Licensing and Other Restrictions Generally: Of some 10,200 official import product categories, nearly 86 percent are completely exempt from any controls. 991 categories are still "regulated" and require approval from relevant authorities based on the qualifications of the importer, the origin of the good, or other factors. Another 279 require import permits from the Board of Foreign Trade or pro forma notarization by banks. Imports of 270 categories are "restricted", including ammunition and some agricultural products. These items can only be imported under special circumstances, and are thus effectively banned. In addition to these restrictions on agricultural items, the Council of Agriculture also implements what amounts to a de facto ban on the importation of fishing boats (including sport fishing boats), which has frustrated the export efforts of several U.S. firms. Motorcycles with engines larger than 150cc likewise require a special permit and are thus effectively banned from importation. For some products where licenses are required, the importer may be required first to obtain the authorization of certain agencies such as Taiwan's Department of Health (DOH) for medical equipment, the Board of Foreign Trade or the Provincial Department of Agriculture and Forestry for certain fertilizers, and the Department of Environmental Protection for waste and scrap copper, aluminum, lead and zinc. Often these additional approvals and documentary requirements add to the administrative burdens of importing products into Taiwan or make importation effectively impossible for small exporters without the appropriate connections with the relevant authorities. Local content requirements in the automobile and motorcycle industries will be eliminated as part of Taiwan's WTO accession.

Other than WTO accession issues, market access for U.S.-made medical devices and pharmaceuticals has been one of the most contentious trade issues between the United States and

Taiwan over the last two years. Taiwan has declared both the medical device and pharmaceutical sectors as areas warranting priority for development. Favorable measures have been introduced by Taiwan agencies to promote growth and technological development in these areas. Taiwan does not discriminate against imported devices and drugs per se. However, Taiwan's national health insurance system acts effectively as the exclusive buyer for all medical products and services in Taiwan. As such, Taiwan authorities set prices for all drugs and medical devices on a de facto basis. It is this pricing system which frequently has the effect of discriminating against typically higher quality and higher priced pharmaceuticals and medical devices imported from the United States by limiting the reimbursement amount for certain products.

Restrictions on Medical Devices: The Taiwan market has been an important one for the U.S. medical device industry. The Health Industry Manufacturers Association (HIMA) estimates the total market in medical technologies in Taiwan to be around \$900 million. While U.S. device exports have been growing by 11 percent, HIMA believes discriminatory practices now threaten about two-thirds of U.S. exports, as well as prospects for substantial growth.

In 1996, the United States and Taiwan concluded an agreement on medical device pricing with specific measures to be achieved regarding national treatment, transparency, openness, predictability and functionality. Taiwan has thus far not taken adequate measures to establish differentiated pricing for devices based on the relative value to technology (the functionality of imported products and those made in Taiwan).

In December 1997, Taiwan's National Health Insurance Bureau (NHIB) introduced a diagnostic-related group case payment system for medical device products. This system assigns "generic" pricing, counter to the principle of creating value-based pricing for devices as stated in the agreement. This unexpected change in reimbursement systems was accompanied by drastic price cuts for foreign manufactured orthopedic products to levels nearly identical to those for domestically produced orthopedic products, thus eliminating the distinction between products based on quality and relative value. Cardiovascular products have recently been added to the diagnostic-related group system.

The change to generic rather than quality pricing for medical devices threatens to reduce dramatically the market for advanced foreign medical device products, at the same time that it provides ample profits to local Taiwan companies for development of more advanced medical devices. The United States is requesting that Taiwan adopt special measures that will recognize the value of the technology embodied in U.S. and other foreign medical devices, or to otherwise adopt market-based approaches, such as patient co-payment, to permit adequate market access for higher quality, higher priced devices.

Restrictions on Pharmaceuticals: The U.S. pharmaceutical industry faces price controls similar to those encountered by U.S. medical device manufacturers. Under Taiwan's pricing system, producers of "generic" pharmaceuticals are reimbursed at a set percentage of the price set for the equivalent proprietary drugs. This system discriminates against patented and brand-name pharmaceuticals, which are typically imported, by providing a higher rate of return on "generic" products that are produced in Taiwan. Since Taiwan producers do not have to pay for research,

development and testing (but are entitled to a high price), they can offer “unofficial” discounts on their products and thereby enjoy a significant price advantage over brand name competitors when bidding on procurement contracts. Although Taiwan authorities have eliminated situations where generic products receive the same price as higher quality patented pharmaceuticals, U.S. companies remain concerned that in some cases, price differentials between generic and name brand products remain overly narrow.

In November 1999, Taiwan health care authorities lifted a one-year moratorium on price changes for pharmaceuticals negotiated in 1998 with the United States. In so doing, the authorities announced across-the-board price cuts of up to 10 percent, effective April 1, 2000, for nearly 10,000 items. Around 70 percent of the items slated for price cuts are manufactured domestically. Most of U.S. industry concern centers on future operation of the system, and the possibility that Taiwan may be considering further cost-saving measures such as global-budgeting and reference pricing. Other regulatory barriers to medical device and drug imports are discussed in detail under the Standards, Testing, Labeling and Certification portion of this chapter.

Agricultural Products

Tariffs: In general, tariffs on agricultural products tend to be higher than tariffs on industrial products. Farmer and food sector opposition to the reduction of agricultural product tariffs is vigorous, and these groups have substantial political clout. Nonetheless, in 1998, Taiwan lowered tariffs on a list of 15 agricultural products in connection with commitments made in bilateral WTO pre-accession agreements with the US and other countries. Since then, the tariff of only one additional food product has been reduced, i.e. the tariff on frozen hash brown potatoes which was lowered from 25 percent to 18 percent effective July 15, 1999. The average nominal tariff rate for agricultural products remains at 20.02 percent. The US-Taiwan WTO pre-accession agreement calls for Taiwan to reduce tariffs on an additional 33 agricultural products upon accession, and to complete staged tariff reductions on nearly 100 more agricultural items (including beef, sugar, milk and fishery products) reaching final tariff levels, and/or maximum tariff rate quota (TRQ) access quantities, by January 1, 2004.

In addition to tariffs, all imports must pay a Harbor Construction Fee (HCF) to the Taiwan Ministry of Transportation and Communications equal to 0.3 percent of their CIF value. In the near future the HCF will be reduced to 0.2 percent. In January 2001, the HCF will be replaced by a Commercial Harbor Service Charge which will be assessed on the basis of cargo weight and ship net tonnage.

Prohibited Imports: In addition to the current import quotas for chicken meat, pork bellies, red meat offal and potatoes, several important agricultural products, including rice, peanuts, and selected dairy products, are banned outright. Upon WTO accession, Taiwan will establish TRQs for currently banned products such as pork bellies, chicken meat, pork offal, poultry offal, liquid milk, peanuts, small red beans, garlic bulbs, some fruit and vegetables, rice and rice products.

Import/Export Documentation

Non-Agricultural Products and Products Generally

A foreign supplier's proforma invoice (quotation) is required for application of an import permit and the establishment of a letter of credit. Documents required for shipments to or from Taiwan include the commercial invoice, bill of lading or airway bill, packing list, and certificate of origin. Shipments of agricultural products, plants, and animals to Taiwan may require certificates of inspection or quarantine issued in the country of origin and are subject to inspection and quarantine upon importation into Taiwan.

The commercial invoice must show the import license number; F.O.B., C&F, or C.I.F. value; insurance; freight; and discounts or commissions, if any. The commodity description and value shown on the commercial invoice must agree with those on the import license. No requirements exist as to the form of a commercial invoice or a bill of lading. In addition to the information generally included in a standard bill of lading, all marks and case numbers appearing on packages must be shown. Customs does not permit the grouping of marks or numbers on a shipment of mixed commodities.

Agricultural Products

Fresh produce is inspected for pesticide residues and accompanying phytosanitary certificates are checked for completeness and accuracy. Border inspection of meat products consists of a visual inspection of the product, a random test for animal drugs and pesticide residues, and a thorough check of the accompanying health certificates for accuracy and completeness. If discrepancies or insufficiencies are found on these certificates, they will lead to delays in customs clearance and possible rejection of the entire shipment. The food safety inspection of processed foods focuses on labeling, food hygiene and food additives.

Customs Valuations

Taiwan revised its Customs Law in July 1986 in order to implement procedures consistent with the "Agreement on Implementation of Article VII of the GATT." This article refers to the valuation of all imports for the assessment of duties. The Taiwan authorities have stated that upon its accession to WTO, it will fully adhere to the Customs Valuation Code.

The dutiable value of an import into Taiwan is defined as its cost, insurance and freight (C.I.F.) value. Taiwan generally assesses the ad valorem duty on the invoice price as stated on the import document. If customs officials consider an invoice's transaction value to be too low, they will value the item based on the actual transaction price of the same or similar goods sold to Taiwan at approximately the same time of exporting the said products.

Labeling, Marking Requirements

Non-Agricultural Products and Products Generally

Taiwan labeling regulations require that the net contents of packaged goods shall be shown in metric units. Dual labeling in metric and nonmetric units is permitted. Measuring instruments

calibrated in nonmetric units must show metric equivalents. On March 7, 1995, Taiwan tightened regulations on Chinese labeling for food items, expanding coverage to all food products sold at retail (but allowing exemptions for some food service items) and requiring the labels to be affixed prior to customs clearance. Required information includes name and address of manufacturer or importer, date of production and/or expiry date and list of ingredients. Taiwan's Consumer Protection Law requires that all imported goods have Chinese language labels and instructions which shall be at least as comprehensive as the language-of-origin labels and accompanying instructions.

All imported cargo must bear a mark of distinctive design, a set of three or more letters, or a combination of design and letters indelibly stenciled, stamped, or burned on the packing or on the cargo itself. For cargo packed in cases, boxes, crates, casks, drums, or cylinders, each container should bear a separate number, which cannot be repeated for two years. Bags or bales also must bear a nonrecurring number, date, or set of three or more letters. In addition, each package of a consignment must be numbered consecutively. Numbering is not essential for large lots of cargo except when packaged in cases, boxes, or crates, provided that each package of the consignment contains cargo of identical weight.

Agricultural Products

As required by the Marcy 1995 amendment to Taiwan's "Law Governing Food Sanitation," Taiwan strictly enforces the Chinese language labeling requirement for food items sold at retail (there are exemptions for some food-service items) and requires that the labels be affixed prior to customs clearance. Required information includes name and address of the manufacturer or importer, date of production and/or expiry date, list of food additives, and weight, volume or quantity of ingredients.

Standards, Testing, Labeling and Certification

Non-Agricultural Products and Products Generally

"Chinese National Standards (CNS)", written and published by the Bureau of Standards, Metrology and Inspection (BSMI) of the Ministry of Economic Affairs, list relevant standards requirements for imported products into Taiwan. CNS is similar to or in conformity with international standards such as ISO and IEC. The BSMI also carries out necessary commodity inspection measures according to the Commodity Inspection Law. The purpose of this inspection is to promote the quality of commodities, safeguard product safety and protect consumer interests. The method of commodity inspections generally conforms to international standards. However, certain industrial products (such as air-conditioning and refrigeration equipment) are required to undergo testing to verify energy efficiency and capacity before clearing customs. Recent efforts to enforce compliance of some imported products with Taiwan standards have resulted in long delays at customs for some U.S. products entering the market, as testing facilities are inadequate and testing procedures slow and inefficient.

Registration and approval procedures for imports of pharmaceuticals, medical devices and cosmetics are both complex and time consuming, and have been the subject of long standing complaints by U.S. firms. Foreign medical device manufacturers must re-register second or

third generation versions of previously approved products, and the Department of Health also requires the registration of individual products instead of entire product lines.

For all but new chemical entities, pharmaceutical companies are still not allowed to import drugs which are produced using multi-site sourcing. Moreover, pharmaceutical companies claim that clinical trial requirements in Taiwan for drugs that have been approved in other major markets add 2-3 years to the approval time. In 1998, however, Taiwan authorities began a two-year phase-out of clinical trials as part of the registration process for new drugs. This initiative, once fully implemented, is expected to significantly reduce regulatory burdens on pharmaceutical firms. Lastly, Department of Health authorities continue to require the submission of detailed plant master files (PMF) as part of the registration and approval process for new drugs. United States industry has called for submission of United States FDA Establishment Inspection Reports, ISO-13485 certificates, and free sales certificates as a means to satisfy the PMF requirement. This would bring the PMF compliance for new drugs into line with Taiwan's new PMF requirement for U.S.-made medical devices.

In May 1994, the predecessor of BSMI announced that mandatory inspection for CNS compliance of domestic and imported portable electric drills, grinders, disc grinders and circular saws would be implemented beginning August 1, 1994. Local importers are required to secure inspection approval labels before products can be sold in the Taiwan market. BSMI's safety inspection requires the testing of samples from each shipment. This system of repetitive testing is costly and unnecessarily burdensome. The delays caused by the inspection keep U.S. products from entering the market and create significant additional warehousing and inventory carrying costs for U.S. firms and their local importers.

In 1997, the Taiwan authorities promulgated new electromagnetic compatibility (EMC) standards for computer and other electronic goods which threatened to disrupt of U.S. computer exports to Taiwan. In response, in March 1999 a mutual recognition agreement (MRA) designed to eliminate duplicate testing of information technology equipment was signed. According to the terms of the MRA, certain Taiwan exports to the United States previously tested for electromagnetic conformity in labs recognized by Taiwan authorities will no longer require duplicate inspections in a U.S. lab. Reciprocal treatment will likewise be accorded similar U.S. products imported into Taiwan. Relevant U.S. agencies and their Taiwan counterparts are jointly implementing operating procedures according to the principles of the MRA, including nominating certified labs for mutual accreditation.

Agricultural Products

The Bureau of Standards, Metrology and Inspection (BSMI) carries out necessary food safety inspection measures while the Bureau of Animal and Plant Health Inspection & Quarantine (BAPHIQ) is responsible for inspection and quarantine for the purpose of safeguarding animal and plant health. Taiwan's sanitary and phytosanitary standards are, for the most part, different from US standards or those established by international regulatory bodies such as the Office of International Epizootic (OIE) or the Codex Alimentarius.

Temporary Entry

Taiwan is not a member of ATA Carnet system due to the lack of diplomatic relations with ATA Carnet countries. However, Taiwan has signed bilateral agreements with 24 nations, including the United States, Canada, Switzerland, South Africa, Singapore, South Korea, New Zealand, Australia, Hungary and 15 EU countries, to implement ATA Carnet. These agreements grant temporary customs exemptions for a wide range of products such as test instruments, scientific equipment, exhibition goods, etc., which are brought into Taiwan for sales promotion and exhibition purposes on a temporary basis. Upon conclusion of the event, items must be shipped out of Taiwan within a year to avoid imposition of harbor taxes and tariffs.

The agreement with the United States to implement the TECRO/AIT Carnets was signed in December 1999. Like the ATA Carnet, TECRO/AIT Carnets are valid for up to one year and allow U.S. exporters to avoid duties and taxes when entering Taiwan. The TECRO/AIT Carnets issued exclusively for Taiwan are very similar to the traditional ATA Carnets, but must be applied for separately (due to the U.S.'s lack of diplomatic recognition of Taiwan). For example, if traveling to both Taiwan and China, one would have to apply for an ATA and a TECRO/AIT Carnet. Questions regarding the application process for the TECRO/AIT Carnets should be directed to the ATA Carnet Customer Service Department of U.S. Council for International Business at 1212 Avenue of the Americas, New York, N.Y. 10036-1689, Tel: 212-354-4480 or atacarnet@uscib.org, Fax: 212-944-0012, Internet: www.uscib.org.

Public Procurement

Problems encountered by U.S. firms in performing government contracts in Taiwan are serious and constitute significant trade barriers. Despite recent reforms, access to Taiwan's estimated \$10 billion annual public construction market remains problematic. Some major international contractors will no longer undertake significant contracts in Taiwan. As a result of these problems, Taiwan was for the first time included in a May 2000 report put out by the United States Trade Representative as having government procurement practices which raise U.S. government concerns. The report is available on the USTR website, www.ustr.gov.

In connection with its accession to the WTO, Taiwan has agreed to join the WTO Agreement on Government Procurement (GPA). Adherence to the GPA's procedures should improve the transparency of the bid process and eliminate overt discrimination between local and foreign bidders on covered contracts.

A new Government Procurement Law (GPL) went into effect on May 27, 1999, but will not be fully applicable to foreign bidders until Taiwan's accession. In fact, individual procuring entities may set forth separate procedures for foreign and domestic bidders except where "governed by the rules set forth in the treaties or agreements to which Taiwan is a party." Until recently, U.S. firms appeared to view the GPL as a positive step forward. However, some U.S. companies have recently reported that procuring entities are using the GPL as a tool to further entrench difficult tender terms and conditions. That situation arises from the fact that the GPL gives procuring entities wide latitude in determining tender specifications.

Municipal governments in particular have been notably arbitrary in dealing with foreign contractors. The most common pattern of difficulty consists of frequent and unreasonable change orders introduced during performance of the contract. Performance bonds are forfeited and contracts canceled when foreign construction companies are unwilling to accommodate substantially increased costs within the originally agreed payment. Perhaps the most consistent complaint made by U.S. companies involves unfair terms and conditions required by the particular procuring entity. Specific problem areas include unlimited contingent liability; unreasonably high liquidated damages provisions; limited right to protest, or be paid for, work order changes. Other problems include short lead times on major tenders, non-transparent and lengthy warranty provisions, unclear payment schedules, and pre-qualification requirements which limit experience to similar projects in Taiwan and disqualify related overseas experience. Additional limitations include a requirement that foreign firms have a local construction license or else establish a local subsidiary in order to bid on public projects.

Lack of timely and effective arbitration procedures prevent satisfactory resolution of contract disputes. In 1998, in response to U.S. request, Taiwan made operational a dispute settlement mechanism under the direction of the sub-cabinet level Public Construction Commission (PCC). Under this mechanism, bidders can formally protest alleged improprieties which occur during the bidding process. However, the PCC's rulings are not binding. Furthermore, companies are often reluctant to utilize this process for fear of losing future contract opportunities.

U.S. firms are increasingly complaining that both procuring entities and the Public Construction Commission give unfair treatment to foreign firms. In one case, the procuring entity allowed a local company not meeting the tender requirement to bid, to the detriment of a qualifying U.S. firm. In other instances, the tender specifications appear to be written in favor of a local firm, to the disadvantage of foreign competitors. In other cases deadlines are extended for local companies, but have been applied strictly to foreign firms. In perhaps the worst case, a local company obtained a ruling from the PCC that a tender, which only a U.S. world-leading high technology company could meet, should be canceled and re-tendered with lower qualification standards. It is estimated that another practice, the requirement that most public enterprises and administrative agencies must procure locally if the goods and services are available locally, if eliminated in the telecommunications sector, would provide U.S. firms an additional \$100 million in annual revenue.

There is also some concern that Taiwan may be expanding the scope of offset provisions through "Industrial Cooperation Programs." A key example is the Aeronautics and Space Development Program, which mandates industrial cooperation and aerospace technology transfers for major government procurements.

Electronic Commerce

Taiwan supports international efforts to facilitate global e-commerce and in 1998 unveiled e-commerce policy guidelines which emphasize the primacy of the private sector in e-commerce development. In practice, however, Taiwan's approach to e-commerce and related issues is still evolving. In 1998, Taiwan authorities proposed an amendment to the Taiwan Telecom Law which would have required an intrusive and time-consuming inspection and approval system for

all hardware and software encryption modules. The amendment was deleted from the legislation, which subsequently passed in October. In the area of software sales, imports through traditional channels are subject to up to 1.3 percent in import duties. However assessment of duties for software sold and downloaded over Internet is still under discussion and no conclusion has been reached. For the present, the authorities are not collecting duties. In the area of online banking, securities transactions and other online transactions, the authorities are deliberating whether to establish a compulsory securities standard controlling all transaction. The Ministry of Finance announced on December 24 that it is now considering allowing competing security standards in Taiwan.

Free Trade Zones/Warehouses

Taiwan's three export processing zones (EPZs) are established in order to encourage investments and expand the export of products and services. Therefore, all products imported by enterprises located in EPZs for their own use are exempt from customs duties. The products of the manufacturing industry in the EPZs are normally for export. However, 100 percent of their annual production may be allowed for sale on the local market after the payment of customs duties.

On October 17, 1996, The Executive Yuan (Cabinet) approved new regulations offering lucrative tax incentives to help transform EPZs into warehousing transshipment centers. On April 16, 1997 the Legislative Yuan passed these new regulations, which became effective upon presidential promulgation on May 8, 1997. Industries accommodated in the zones have been expanded from manufacturing to include large warehouses, transshipment firms, loading, unloading, and repair services. Business activities in the zones are tax free, with shipments from the zones to domestic markets subject to taxes.

Opened in 1980, the Hsinchu Science-Based Industrial Park is Taiwan's most visible attempt to move into technology-intensive industries. Firms investing in the park enjoy substantial tax benefits, concessionary public financing, low land cost, and support services such as warehousing, factories, and telecommunications facilities. Customs duties must be paid if the finished product is sold domestically.

The Science-Based Industrial Park Administration has proposed an overall development plan for the Tainan Science-Based Industrial Park, the construction of which has been underway since July 1996 and is expect to be completed by the year 2010.

Bonded factories may be established anywhere in Taiwan. Bonded factory companies produce primarily for export markets and may import their manufacturing components and raw materials duty free. However, the authorities will not extend duty-free treatment to items whose duty rate is already considered minimal, materials known to pollute the environment, and items for which a domestic source is readily available. Bonded storage facilities are available in Taiwan and are limited almost entirely to those warehouses under the direct supervision of the Directorate General of Customs. Goods may enter bonded warehouses on arrival in Taiwan, provided the consignee has made prior application to customs for such entry.

As part of the program to develop Taiwan into a global logistics center, the Ministry of Finance promulgated the Customs Clearance Regulations for Logistics Centers on March 21. The new rules permit Logistics Centers to take in import, export, and transshipped goods with no restriction on the origin of the goods and that the goods in logistics centers may be inspected, tested, rearranged, separated, assembled, and repackaged, as well as subject to simple processing. Logistics center must be in the form of companies limited by shares with minimum paid-in capital of NT\$300 million. They must also put up a bond of NT\$20 million.

Special Import Provisions

For political, diplomatic or economic reasons, the authorities have placed restrictions on the imports of certain permissible goods from designated procurement areas. For example, to counter its chronic trade deficit with Japan, Taiwan previously excluded Japan and favored North America and Western Europe through regional restrictions in import licensing procedures and in public procurement tenders, although the area import restrictions were abolished on June 1, 1997 to facilitate Taiwan joining the World Trade Organization (WTO). Also restricted and/or controlled is the importation of certain products on the grounds of national security, maintaining the public order, or preserving human, animal or plant health. All require a prior import permit issued by the Board of Foreign Trade.

Taiwan has lifted the ban on importation of a large number of raw food products and industrial materials and components from mainland China (PRC), based on the needs of the food processing and other industries in Taiwan. Currently, 55.57 percent of all import categories in the Taiwan tariff schedule can be imported from the PRC; the rest remain banned. Starting May 19, 1998, however, Taiwan extended to all banned PRC imports the same rules and regulations it applies to all other imports with regard to country of origin and value added processing. In other words, banned goods from the PRC can be imported if it can be shown that they were primarily made elsewhere, and did not undergo substantial transformation in the PRC. The definition of "substantial transformation" is value added exceeding 35 percent of the final export value of the good.

Export Controls

Of the total 10,241 items in Taiwan's current tariff schedule (HS), 9,057 or 88.44 percent may be exported. In the past, most exports required export permits. As of May 2000, 1,184 items or 11.56 percent require export licenses. Licenses are required for the following reasons:

- * Implementation of quantitative restriction arrangements, on exports of textile and garment products to the U.S., Canada, Brazil and the European Community.
- * Implementation of trade and social policies, i.e. the export of munitions and armaments, high-tech equipment and supplies, and narcotics.
- * Protection of intellectual properties and endangered species of wild fauna and flora.
- * Concern over hygiene and health effects of certain products.

The Use of International Standards in Taiwan

Taiwan has traditionally used Taiwan's own independently development Chinese National Standards (CNS) system of specifications for most products to be sold in the Taiwan market. However, to further develop Taiwan's industrial base, as well as to satisfy requirements of the World Trade Organization, Taiwan's Bureau of Standards, Metrology and Inspection (BSMI) revised the Standards Law as of November 26, 1997. The revision now makes positive references to the legislative practices of industrialized countries, standards guidelines of the International Standardization Organization (ISO) and the Agreement on Technical Barriers to Trade (TBT). That being said, U.S. companies have complained Taiwan does not directly accept U.S. or international standards, results from overseas test labs may be not be acceptable and applications under CNS add additional burdens and costs.

For example, compliance with CNS 12681/12682, a CNS equivalent to ISO 9001/9002, allows for receipt of the CNS Quality Mark. However, to receive the CNS Quality Mark, test data may be required from Taiwan labs or the application may require other burdensome procedures. CNS 12681/12682 covers strategic industrial, information, communications, photo-electronics and automation products.

Notwithstanding remaining difficulties with the CNS system, the trend in Taiwan is very good in this area. As one example, BSMI has also synchronized Taiwan's national environmental management standards with the draft ISO 14000 series standards.

Membership in Free Trade Arrangements

Although Taiwan is currently not a member of any free trade organization, it has made much progress in its attempt to join international organizations in recent years. Taiwan has applied to join the WTO and its application is being handled by a WTO working party. Taiwan has held bilateral talks with WTO members on tariff reductions and market liberalization issues, and those talks are now near completion. Taiwan became a member of the Asia Pacific Economic Cooperation (APEC) in November, 1991. Taiwan became a member of the Central American Bank for Economic Integration in 1992. Taiwan is also a member of the Asian Development Bank (ADB). In addition, Taiwan is an active participant in the Pacific Economic Cooperation Council (PECC) and the Pacific Basin Economic Council (PBEC).

Taiwan Customs Contact Information

Directorate General of Customs
13 Ta Cheng Street, Taipei, Taiwan
Tel: 886-2550-5500
Fax: 886-2550-8111
Internet: www.dgoc.gov.tw
E-mail: customs@mail.dgoc.tw

CHAPTER VII: INVESTMENT CLIMATE

Over the past few years, Taiwan has implemented numerous measures designed to liberalize its economy and improve its investment environment in a manner consistent with its goal of joining the World Trade Organization (WTO). Taiwan completed its bilateral consultations for accession to the WTO and now is working to facilitate completion of its multilateral working party report. Cross-strait tensions in the past four years did not deter foreign investors from coming to Taiwan. Capital inflow have picked up pace after the East Asian financial crisis subsided in 1998. Foreign firms investing in Taiwan are generally accorded national treatment, trade-related capital flows are basically unrestricted and there currently are no known foreign investment disputes in Taiwan. Most export performance and local-content requirements have been substantially relaxed. Portfolio investment has been opened to both institutional and individual foreign investors. Foreign portfolio investors are still subject to restrictions on ownership in listed companies but these limits will be amended to meet national treatment standards at the beginning of 2001. Foreign portfolio investors are also subject to restrictions on investment funds. Taiwan has a comprehensive legal system that protects foreign investments and property rights. It also ensures fair competition. Taiwan is a stable multi-party democracy. Entry for white-collar foreign workers has been relaxed substantially. A significant improvement in economic performance in the past two years led to a drop in workers involved in labor disputes in 1999 and early 2000.

Openness to Foreign Investment

Taiwan has long encouraged and facilitated direct foreign investment. Regulations affecting foreign-invested enterprises are generally transparent and non-discriminatory. The authorities have taken steps to improve the investment climate, especially for service industries. All foreign ownership limits on construction, real estate development and brokerage, banking, insurance, finance, securities, and futures industries have been lifted in the 1990s.

Taiwan maintains a foreign ownership limit on companies listed on the Taiwan Stock Exchange and OTC Market, and the limit was raised to 50 percent in early 1999, up from 30 percent for all foreign investors and from 15 percent for a single foreign investor. Taiwan plans to eliminate the foreign ownership limit in early 2001. In early 1999, Taiwan opened cable and satellite television broadcasting services to foreign investments, subject to a 50-percent ownership limit. In May 1999, Taiwan's legislature amended the Telecom Law by raising the foreign ownership limit on wireless and wireline telecommunications firms from 20 to 60 percent. In October 1999, Taiwan permitted foreign investment in liquefied natural gas and petroleum gas supply, subject to a 50-percent foreign ownership limit. A 50-percent foreign ownership limit also remains for power generation plants, power transmission or distribution firms, shipping companies, shipping agents, marine cargo forwarders, ground-handling firms, air-cargo terminals, air-catering companies, and air-cargo forwarders. The foreign ownership limit on airline companies is 33 percent.

Taiwan created a negative list in 1990 with clearly specified industries which were closed to foreign investment. However, over the past decade, Taiwan's liberalization efforts have cut the list to one percent of manufacturing categories and five percent of service industries. For

example, power generation, power transmission and distribution, oil refining, piped-gas supply, telecommunications, real-estate development, trucking, container-train operations, car leasing, and cable and satellite television broadcasting have all been taken off the list. Foreign investment is currently prohibited in industries such as agriculture, forestry, fishing, pesticides, explosives, firearms, military equipment, postal services, postal savings, and wireless broadcasting. In 1999 and early 2000, Taiwan completed passage of three bills which will eliminate an existing monopoly on tobacco and alcohol production, but enforcement rules are still pending.

Regulation of foreign investment is principally based on the Statute for Investment by Foreign Nationals (SIFN) and the Statute for Investment by Overseas Chinese (SIOC). These two laws permit foreign investors to invest in foreign currencies as well as in NT dollars. Joint ventures, re-invested by foreign-owned Taiwan companies, with foreign ownership below 33 percent are exempted from limitations applicable to industries on the negative list. Both the SIFN and the SIOC specify that foreign invested enterprises must receive the same regulatory treatment accorded their local counterparts. Foreign companies may invest in firms undergoing privatization. They are also eligible to participate in public-financed research and development programs.

Applications for investment approvals, acquisitions, and mergers are screened by the Ministry of Economic Affairs' Foreign Investment Commission (FIC) to determine whether the investment is subject to the restrictions mentioned above. FIC approval is generally granted within two working days for an investment below NT\$500 million and within three working days for an investment of NT\$0.5-1.5 billion. Investments with an amount exceeding NT\$1.5 billion (US\$49 million at an exchange rate of NT\$30.5 per US dollar) and investments in industries included in the negative list are screened by an inter-ministerial commission. Processing generally takes about five to six weeks because few cases are pending for review. Screening is routine and non-discriminatory.

Taiwan offers a number of incentives to encourage investment, including accelerated depreciation and tax credits for investment in emerging or strategic industries, pollution-control systems, production automation and energy conservation. Equipment for R&D purposes can be brought into Taiwan duty-free. Other incentives include low-interest NT dollar and/or foreign currency loans for developing new and/or cutting edge products, upgrading traditional industries, and importing automation or pollution-control equipment. A broad five-year tax holiday for new investments, abolished in January 1991, was re-instituted in January 1995.

Right to Private Ownership and Establishment

Private investors have the general right to establish and own business enterprises, except in industries involving either national security or state-owned monopolies. Private entities have the right to freely acquire and dispose of interests in business enterprises. With the exception of sectors controlled by state monopolies, private business firms have the same access as state-owned companies to markets, credit, licenses and supplies. Taiwan authorities have reduced the number of state-owned monopolies in such areas as power generation, oil refining, and telecommunications. Taiwan will continue these liberalization efforts.

Protection of Property Rights

Although Taiwan has enacted laws and policies designed to improve intellectual property rights (IPR) protection, enforcement remains problematic. Due to persistent enforcement problems, Taiwan has been back on the United States Trade Representative's Special 301 Watchlist since August of 1998. A key problem in Taiwan's IPR enforcement is its weak judicial system. Taiwan judges are often inadequately trained in IPR issues, and in the past, have made a variety of questionable procedural decisions in patent and copyright infringement cases. In 1999, U.S. Customs seized \$42.2 million in counterfeit goods from Taiwan, making it the largest source of counterfeit goods during this period.

Taiwan has taken steps to increase its IPR protection. An export monitoring system for computer-software products and trademark goods has helped deter the export of pirated and counterfeit goods. In February of 1999, Taiwan issued a new directive requiring only the use of legal software by Taiwan authorities. It also required that as of July 1, 1999, all optical media products produced in Taiwan, including CD's, VCD's, CD-ROM's and DVD's, were required to bear source identification (SID) codes. At the same time, Bureau of Standards, Metrology and Inspection inspectors were authorized to perform random factory visits to ensure compliance. To prevent the illegal production of counterfeit computer chips at Taiwan semiconductor factories, the Taiwan Semiconductor Industry Association began implementation of a voluntary computer chip-marking program on July 1, 1999. Taiwan's Intellectual Property Office set up a special task force which operated during the first six months of 2000 to crack-down on optical media piracy.

Revised Copyright, Patent, and Trademark Laws were passed by Taiwan in 1997 to bring its IPR legal structure into conformity with the WTO TRIPs agreement. However, only the Trademark Law and certain provisions of the Copyright Law have been implemented. The new Copyright Law, which will be fully implemented upon WTO accession, will extend retroactive copyright protection to 50 years. Despite these changes, owners of U.S. patents and trademarks have experienced difficulty in obtaining and enforcing rights in Taiwan.

Another area of concern is the lack of adequate protection for the packaging, configuration, and outward appearance of products, an area of IPR known as trade dress. Despite provisions in Taiwan's Fair Trade Law designed to protect unregistered marks and other packaging features, copying of U.S. products by local products which are misleading in appearance remains a problem.

Performance Requirements and Incentives

The Taiwan authorities impose few performance requirements on foreign-invested firms. Like domestic firms, however, foreign-invested companies must locate in areas zoned for appropriate industrial or commercial use and are subject to restrictions on the number of foreign employees that can be hired. Taiwan zoning restrictions also have caused difficulties for local and foreign firms alike. Tax credits and tax breaks are offered to encourage the introduction of new technology into Taiwan. Tax credits are also offered to encourage locating in less-developed

areas of Taiwan. Subsidies of up to one-half of total expenditures are offered for R&D ventures. Taiwan does not require that firms transfer technology, locate in specified areas, or hire minimum numbers of local employees as a prerequisite to obtaining investment permission.

Manufacturing firms located in export-processing zones and science-based industrial parks are, in principle, required to export all of their production in exchange for tariff-free treatment of production inputs. However, these firms may sell all of their production on the domestic market upon payment of relevant import duties.

Local-content requirements (LCRs), abolished for most industries in 1986, remain in place for motor vehicles. Thirty-one percent local content is required for heavy-duty vehicles over 10 tons, 37 percent for heavy-duty vehicles of 3.5-10 tons, 50 percent for sedans, small trucks, and vans, and 90 percent for motorcycles. In January 1999, the LCR for sedans was lowered to 40 percent and that for electricity-driven motorcycles to 50 percent. Taiwan has committed to abolishing all of the remaining local-content requirements upon its accession to WTO.

Transparency of the Regulatory System

Taiwan's laws and policies generally foster competition. Taiwan has a set of relatively comprehensive laws and regulations to govern taxes, labor, health and safety.

Bureaucratic procedures associated with investment applications are relatively few and transparent. The Industrial Development and Investment Center (IDIC) functions as the coordinator between investors and all agencies involved in the investment process. The Foreign Investment Commission (FIC) is charged with reviewing and approving inward and outward investments.

The work-permit issuance procedure for foreign white-collar employees is simple. Foreign-invested manufacturing firms can obtain work permits from the FIC in 3 to 4 days. Workers for domestic firms and investors in non-manufacturing enterprises are required to obtain work permits through the agency in charge of that particular sector (e.g., the Ministry of Justice for foreign legal consultants), but may submit applications to the FIC for transmission to the relevant agency. The "Employment Service Law" as amended in May 1997 allows foreign white-collar employees to extend indefinitely their work permit as long as the employer considers such employment necessary. The "Immigration Law" as amended in May 1999 grants foreign white- and blue-collar workers the right to obtain permanent residence status after they have legally stayed in Taiwan for seven years.

The entry-visa issuance procedures for foreign white-collar workers who work for foreign-invested companies are relatively simple. A foreign executive who enters Taiwan with a tourist visa is not required to leave the island before the tourist visa can be changed to an employment visa. A foreign executive whose employment visa expires is not required to exit before the visa is renewed.

Corruption

Taiwan has implemented laws, regulations, and penalties to combat corruption. The anti-corruption statute, known as the "Corruption Punishment Statute," and the "Criminal Code" contain specific provisions which establish penalties for corrupt activities.

Although corruption has been a source of complaints by U. S. businesspeople with operations in Taiwan, its impact on foreign direct investment decisions has been relatively less serious than in areas such as public procurement. We are not aware of cases where bribes have been solicited in order to obtain approval for an investment, although we have heard of cases where moneys were paid by local firms to ensure favorable regulatory consideration of proposed investments. The Taiwan authorities welcome and encourage foreign investment and would take severe action against officials and individuals convicted of profiting illegally from foreign investors.

Corruption has been reported as most pervasive in the area of government procurement, particularly in local-level construction tenders. The authorities generally investigate allegations of corruption and take action to penalize corrupt officials. In August 1999, the Taiwan High Court sentenced a legislator to a six-year jail term on charges of seeking a bribe of NT\$16 million from a construction firm for an engineering project. Several township mayors were indicted for illegal rent seeking in garbage-disposal and public-works construction projects. Three months earlier, a district court sentenced the former mayor of Tainan City to an eight-year jail term for seeking to profit from a large community development project. The former chief of the engineering department received a seven-year sentence under the same case. In June 2000, a former deputy commander-in-chief of the Taiwan navy was sentenced by the Taiwan High Court to seven years in prison for taking kickbacks for a 1992 procurement project.

The number of civil service employees indicted for corruption is in decline, down 20 percent in 1999 to 749 cases. Nevertheless, the new central-level administration is stepping up anti-corruption efforts. It will inaugurate an anti-corruption administration with four regional offices. It will adopt a transparent system for execution of public projects at the local level.

Attempting to bribe or accepting a bribe from Taiwan officials constitutes a criminal offense, punishable under the "Corruption Punishment Statute" and the "Criminal Code." Payment of a bribe to a foreign official is not deemed a criminal act. However, if a Taiwan business representative bribes a foreign official, that representative's company may bring civil action against the offender. Such a bribe, moreover, cannot be legally deducted from taxes. The new administration will amend laws to forbid bribery of foreign officials, and such bribes will be subject to criminal prosecution.

The maximum penalty for corruption is a life sentence plus a maximum fine of three million NT dollars (\$100,000). In addition, the offender may be barred from public office. The assets obtained from acts of corruption may be seized and turned over to either the injured parties or the Treasury.

Perhaps as a result of these serious penalties, instead of outright corruption, U.S. companies complain more often about favoritism shown to local companies competing for government tenders. U.S. companies have noted cases where deadlines have been extended for local firms, and where elected representatives have applied pressure on government officials to ensure the

companies in their localities (including, often, companies owned by the legislator or relatives of the legislator) receive preferential treatment.

Labor

Taiwan has an ample supply of well-educated and skilled workers. However, labor shortages still exist in some rapidly expanding fields, including semiconductor and computer chip design and production, computer software design, and in telecommunications engineering. The supply of unskilled workers remains relatively tight in consumer electronics, pottery, metal pressing, and public construction works. As a result, the number of alien workers in Taiwan has risen steadily from 250,000 persons in 1997 to 295,000 persons at the end of 1999.

Stronger business performance since the middle of 1999 has contributed to a steady decline in unemployment from 3.1 percent in the third quarter of 1999 to 2.8 percent in the first quarter of 2000. The unemployment rate of 2.7 percent in April 2000 was the lowest in 20 months. However, the current administration still believes unemployment is too high and is implementing a policy to lower the unemployment rate by reducing the number of alien workers by 15,000 per year. The cut will first apply to nursing aids and workers employed by major manufacturing projects. Alien workers hired for major construction projects will be reduced from 20 to 12 percent of the project work force.

There are no special hiring practices in Taiwan, but wages include at least a one-month bonus at the end of the year. Fringe benefits often include meals, transportation, and dormitory housing. Dividend-sharing is common among high-tech industries, especially business firms located in high-tech industrial parks. A standard labor insurance program is mandatory. The program provides maternity, retirement, and other benefits. A universal national health insurance system, which went into effect in March 1995, has replaced the health insurance aspects of the labor-insurance program. The system has expanded coverage to include the families of employees.

Taiwan expanded the labor insurance program to include unemployment insurance in January 1999 without increasing premiums. A worker losing a job due to a plant closure or a reduction in the work force is entitled to unemployment pay for a maximum period of six months, and the monthly payment is 60 percent of the insured wage. By the end of May 2000, 19,356 persons received such payments. The Labor Standards Law (LSL) sets a standard eight-hour workday and a 48-hour workweek. The CLA plans to cut the weekly working time to 44 hours in early 2001 and to 40 hours in 2002. In January 1998, the public sector implemented a five-day workweek for two weeks each month. About half of Taiwan's business firms had adopted the new system by the end of 1999. The LSL restricts child labor, and requires employers to provide overtime pay, severance pay, and retirement benefits. LSL coverage was expanded from the manufacturing sector to include the entire service sector from the beginning of 1999. The authorities can impose criminal penalties (jail terms) and administrative punishment (fines) for labor law violations.

The minimum wage is set at NT\$15,840 (or \$519 at the exchange rate of NT\$30.5 per US dollar) per month. Current manufacturing sector wages average NT\$37,686 (\$1,236). The minimum

wage is adjusted in August every year based on the results of collective negotiation between the Chinese National Federation of Industries and the Chinese Federation of Labor Unions.

Labor unions have become more active and independent since martial law was lifted in 1987. The improvement in business performance since the second half of 1999 has led to a decline in the number of workers involved in labor disputes from 103,500 persons in 1998 to 30,440 persons in 1999. Taiwan is not a member of the International Labor Organization (ILO), but it generally adheres to the ILO convention on protecting worker rights.

Capital Markets and Portfolio Investment

A wide variety of credit instruments, all allocated on market terms, are available to both domestic- and foreign-invested firms. Legal and accounting systems are transparent and consistent with international standards. The regulatory system is generally fair. Foreign investors are subject to some ownership and investment fund limits. In recent years, the Taiwan authorities have taken a number of steps to encourage the more efficient flow of financial resources and allocation of credit. The limit on NT dollar deposits that a branch of a foreign bank may take has been lifted. Non-residents have been permitted to open NT dollar bank accounts, which are subject to capital-flow controls. Limits on branch banking have been lifted. Restrictions on capital flows relating to portfolio investment have been removed. The insurance and securities industries have been liberalized and opened to foreign investment. Access to Taiwan's securities markets by foreign institutional investors has also been broadened.

Taiwan has a complicated regulatory system governing portfolio investment. Officially approved "qualified foreign institutional investors" (QFIIs), including large banks, insurance companies, securities firms and mutual funds, can engage in portfolio investment. In March 1996, portfolio investment was opened to individual foreign investors and foreign companies other than QFIIs. However, foreign investors are still subject to portfolio investment limits of US\$5 million for an individual foreign investor and US\$50 million for a non-QFII foreign company. The limit on a QFII was raised from US\$600 million to US\$1.2 billion in early 1999. Since March 1996, QFII capital flows have no longer been subject to restrictions. Non-QFII foreign investors may move their capital freely as long as the amount is below US\$5 million for an individual foreign investor and US\$50 million for a non-QFII foreign company.

Taiwan has legal limits on foreign ownership in companies listed on the Taiwan Stock Exchange (TAIEX). The authorities raised the limits to 50 percent in March 1999, up from 15 percent for a single foreign investor and 30 percent overall. The financial authorities plan to totally eliminate foreign ownership limits in early 2001 except for certain industries, including telecommunications, power generation, power distribution, and mass media companies. There have been no reports of private or official efforts to restrict the participation of foreign-invested firms in industry standards-setting consortia or organizations.

Taiwan has a tightly regulated banking system. Since the mid-1980s, the financial sector as a whole has been steadily opening to private investment. Nevertheless, the market share held by foreign banks remains relatively small. The establishment of many new securities firms, banks and insurance companies has underscored this liberalization trend and enhanced competition.

Three large provincial banks were privatized in early 1998, and two state banks completed privatization in 1999. The privatization efforts, reducing the number of public banks to nine, have cut the share of assets controlled by public banks from 61 percent of total assets of all domestic and foreign banks to 38 percent. The total assets of these nine public banks were \$254 billion as of December 31, 1999.

Conversion and Transfer Policies

There are relatively few restrictions on converting or transferring funds associated with direct investment. Foreign investors with approved investments can readily obtain foreign exchange from a large number of designated banks. The remittance of capital invested in Taiwan is made according to a schedule submitted by the company to the FIC. Declared earnings, capital gains, dividends, royalties, management fees, and other returns on investments can be repatriated at any time. Capital movements arising from trade in merchandise and services, as well as from debt servicing, are not restricted. For purposes other than trade, no prior approval is required if the cumulative amount of inward or outward remittances is less than US\$5 million for a person, and US\$50 million for a corporation (including foreign-invested enterprises). No delay in remitting investment returns or principal through legal channels has been reported.

An outward investment may not exceed 40 percent of the investing company's net worth or paid-in capital (whichever is less) unless such an investment project is approved by its shareholders. A local company is not required to obtain prior approval for overseas investments; however, such an approval exempts the company from an annual capital outflow limit of US\$50 million. Prior approval is required for all investments in Mainland China, and such investments must first go through a third location.

The Taiwan authorities have actively encouraged investment in Southeast Asian nations. Investments are also encouraged in a number of countries with which Taiwan has diplomatic relations, mainly in Central America. Incentives include loans and/or overseas investment insurance with the Export-Import Bank of China.

Expropriation and Compensation

Taiwan law stipulates that no venture with 45 percent or more foreign investment can be nationalized for a period of 20 years after the venture is established. Moreover, Taiwan law stipulates that expropriation can be justified only for national defense needs, and that "reasonable" compensation shall be given. No foreign-invested firm has ever been nationalized or expropriated. No examples of "creeping expropriation" or official actions tantamount to expropriation have been reported.

Dispute Settlement

Taiwan is not a member of the International Center for the Settlement of Investment Disputes or the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards. However, investment disputes are not common. Normally, Taiwan resolves disputes according to domestic laws and regulations.

Taiwan has comprehensive commercial laws, including a Company Law, Commercial Registration Law, Business Registration Law, Commercial Accounting Law and laws for specific industries. Taiwan's Bankruptcy Law guarantees that all creditors have the right to share the assets of a bankrupt debtor on a proportional basis. Secured interests in property, both chattel and real, are recognized and enforced through a reliable registration system.

Taiwan's court system is independent and free from interference by the Executive Branch but U.S. firms complain that at times the slow pace of judicial decision-making hinders their ability to protect their rights. Furthermore, the courts are generally considered in need of additional specialized training for the effective handling of sophisticated commercial matters. The judgments of foreign courts with jurisdictional authority are enforced in Taiwan by local courts on a reciprocal basis.

Political Violence

Taiwan is a relatively young multi-party democracy, with stable, though still evolving, democratic political institutions. Major civil disturbances, insurrections, or other serious threats to the political system are unlikely. There have been no reports of politically motivated damage to foreign investment. Both local and foreign companies have, however, been subject to protests and demonstrations relating to labor disputes and environmental issues.

Bilateral Investment Agreements

Taiwan has concluded bilateral investment agreements with the following countries: Argentina, Belize, Burkina Faso, Costa Rica, Dominica, El Salvador, Guatemala, Honduras, Indonesia, Latvia, Liberia, Malaysia, Malawi, Macedonia, the Marshall Islands, Nicaragua, Nigeria, Panama, Paraguay, the Philippines, Senegal, Singapore, Swaziland, Thailand, and Vietnam.

Under the terms of the 1948 Friendship, Commerce, and Navigation Treaty with the United States, U.S. investors are generally accorded national treatment and are provided a number of protections, including protection against expropriation. Taiwan and the United States also have an agreement, signed in 1952, pertaining to investment guarantees which serves as the basis for the U. S. Overseas Private Investment Corporation (OPIC) program in Taiwan. In September 1994, representatives of the United States and Taiwan signed a bilateral Trade and Investment Framework Agreement (TIFA) to serve as the basis for consultations on trade and investment issues. Consultations on a bilateral investment agreement between the United States and Taiwan began in 1996, but are currently on hold.

OPIC and Other Investment-Insurance Programs

OPIC programs are available to U.S. investors, though U.S. investors have never filed an OPIC insurance claim for an investment in Taiwan. Taiwan is not a member of the Multilateral Investment Guarantee Agency.

Foreign-Direct-Investment Statistics

Statistics on foreign direct investment in Taiwan are available from two sources. The Foreign Investment Commission (FIC) publishes monthly and yearly foreign investment approval statistics by industry and by country. The Central Bank of China (CBC) publishes foreign-direct-investment arrivals on a quarterly and yearly basis. CBC data, contained in balance-of-payments statistics, are not further classified by industry or country.

Despite cross-strait tensions over the past two years, strong economic and business fundamentals attracted a large number of foreign investors, especially in the semiconductor and other electronic industries. Inflows of direct investment in 1999 totaled US\$2.9 billion, more than ten times the US\$222 million tallied in 1998. Foreign investment projects approved by Taiwan's authorities in 1999 totaled US\$4.2 billion. The discrepancy between these figures is accounted for by the cancellation or delay of planned investment projects.

Cumulative foreign-investment approvals from 1952 to 1999 total US\$37 billion. Of this amount, 27 percent is in the electronics and electrical industries. Other industries with relatively heavy foreign investment include banking and insurance, services, chemicals, trade, and basic metals.

The United States is the top foreign investor in Taiwan, while Japan is a close second. Approvals for U.S. investment from 1952 to 1999 totaled US\$9.4 billion, or 25 percent of total foreign investment. Forty percent of U.S. investment was directed toward the electronics and electrical industries, with another 14 percent in chemicals. Approvals for Japanese investment amounted to US\$8.5 billion, or 23 percent of total foreign investment. Of total Japanese investment, 27 percent was in electronics and electrical industries, and 21 percent in services and trade. A growing number of multinational corporations (mainly originating in Taiwan) direct funds for their Taiwan investments from tax havens in the British Territories in America (BTA). Approvals for investment from the BTA surged from US\$151 million in 1995 to US\$1.2 billion in 1999, exceeding the US\$1.1 billion from the United States and US\$514 million from Japan.

Taiwan is aggressively pursuing cooperation agreements with foreign companies to encourage those firms to make Taiwan their "regional operations center" for East Asia. Of the 67 strategic-alliance agreements with multinational firms (many of which have a technology-cooperation component), 60 have been signed with U.S. companies. Forty-three percent of the agreements have been designed to manufacture or develop electronics or electrical and telecommunications products and systems. Nearly ten percent are focused on development of the aerospace industry.

As a relatively open and liberal economy, Taiwan receives foreign investment while its businesses heavily invest overseas, especially in the PRC, Southeast Asia and the Americas. Outward direct investment has exceeded inward direct investment since 1988, according to balance-of-payments statistics compiled by the Central Bank of China. FIC statistics show, as of 1999, that cumulative approvals for outward investments totaled US\$36 billion. Mainland China has been one of the main recipients of Taiwan investment. However, policies designed to discourage such investment were adopted after the PRC conducted missile tests in the Taiwan

Straits in 1996 and 1997. The policy and the PRC's subsequent hostility resulted in a steady decline in approvals for investment in the PRC.

CHAPTER VIII: TRADE AND PROJECT FINANCING

The Banking System

Taiwan has a Central Bank, 47 domestic banks (with 2,305 branch offices), five medium business banks (with 280 branch offices) and 41 foreign banks (with 70 local branches). There are also 50 credit cooperatives, 287 farmers' credit unions, and 27 fishermen's credit unions in Taiwan. These banks, cooperatives, and credit unions have traditionally played a dominant role in finance on the island.

The Central Bank performs all of the functions normally associated with central banks in other countries. It issues currency, manages foreign-exchange reserves, handles treasury receipts and disbursements, sets interest-rate policy, oversees the operations of other financial institutions, and serves as a lender of last resort.

Taiwan's 47 domestic banks offer a wide range of services including receiving deposits, making loans, handling trade financing and providing guarantees, and discounting bills and notes. Most are also involved in the securities business, underwriting and trading securities and managing bond and debenture issues, as well as in providing savings-account facilities. The Chiao Tung Bank assists with long-term financing for industries and projects, while the Export-Import Bank and the Farmers' Bank focus respectively on trade financing and agricultural development.

Foreign banking institutions are playing an increasingly important role on the financial scene. Foreign banks are treated essentially as domestic commercial banks; they are permitted to engage in trade financing, foreign-exchange dealings, lending to individuals and corporations, and various kinds of trust business. In order to build greater overall market presence, many foreign banking institutions are currently concentrating on the development of consumer loan and credit card business.

Foreign-Exchange Controls

There are no foreign-exchange (FX) limitations for trade, insurance and authorized-investment transactions. Similarly, there are no FX limitations on repatriating capital and profits related to direct and portfolio investment, providing that such investment has been permitted or approved by the Taiwan authorities. All other transactions involving inward or outward remittances for domestic firms have a US\$50 million annual ceiling per account. Individuals are allowed to remit a maximum of US\$5 million yearly to or from overseas. The authorities are committed to liberalize these limitations on a gradual basis after Taiwan accedes to the World Trade Organization.

Financing Availability

Importers are usually responsible for arranging their own financing. Assistance from the Taiwan authorities is, however, available in certain cases. The Export-Import Bank, for instance, provides loans of up to 85 percent of the total contract value on sophisticated machinery and other high-technology items. Loans are also available for imports of natural resources, raw materials and spare parts. Such loans can be granted for equipment and materials employed in the manufacture of goods for export, as well as for those used in the production of sophisticated equipment or the development of advanced technologies.

Methods of Payment

Bank-to-bank Letters of Credit (L/C) constitute Taiwan's most important import-payment process. In 1999, Taiwan's imports totaled US\$110.7 billion, of which US\$52.3 billion was financed through L/Cs. On a lesser scale, company to company payments are made via open account (O/A), documents against payment (D/P), and documents against acceptance (D/A). The AIT Commercial Section recommends that U.S. exporters minimize financial risk by requiring their Taiwan trading partners to finance their imports through L/Cs. A large majority of Taiwan's importers utilize L/Cs with validity of up to 180 days. On the whole, U.S. companies find Taiwan's financing system to be efficient and report no widespread pattern of deferred payment.

Banks authorized to handle foreign exchange may issue L/Cs. This includes local banks (and their branch offices), 11 U.S. banks and their branches, and 30 third-country banks. All banks in Taiwan that are authorized to handle foreign exchange have extensive ties with one or more U.S. banks. This relationship includes test-key exchanges.

Project Financing

Taiwan does not rely on money from multilateral institutions to facilitate investment projects. In the public sector, the Taiwan authorities rely heavily on bond issuance to cover the huge outlays connected with construction of major public works. Beginning 1997, some major public projects were opened to private investment on a build-operate-transfer (BOT) basis. Construction of a high-speed railway from Taipei to Kaohsiung was for the first time consigned to a business consortium that will seek syndicated loans mainly from local sources to finance the project. Private investment projects can easily be financed through banks on the island. Moreover, many Taiwan investors, especially large-sized companies, employ financial instruments (including corporate bonds) to raise funds in capital markets both at home and abroad.

Major Banks with Correspondent U.S. Banking Arrangements

- Bank of Taiwan
- International Commercial Bank of China
- Chiao Tung Bank
- Export-Import Bank
- Farmers Bank of China
- Taipei Bank
- Taiwan Cooperative Bank

- Chang Hwa Commercial Bank
- First Commercial Bank
- Hua Nan Commercial Bank
- Chinatrust Commercial Bank
- Shanghai Commercial & Savings Bank
- United World Chinese Commercial Bank

CHAPTER IX: BUSINESS TRAVEL

Business Customs

Formal business introductions in Taiwan are not complete without an exchange of business cards. It is advisable for foreign visitors to have their cards printed in both English and Chinese. There are numerous printers in Taiwan specializing in printing these indispensable business aids. They offer accurate, low-cost service, with card orders normally being filled within only a few days. Since cards are required on nearly every business occasion, it is a good idea to carry sizable numbers of them at all times.

The New Taiwan dollar (NT\$) is the official currency. It is circulated in one-, five-, ten-, and fifty-dollar coins, and fifty, one-hundred, five-hundred, and one-thousand dollar notes. Since the relaxation of foreign currency controls in 1987, exchange between foreign currency and the NT\$ has become relatively free, although exchange is still limited to authorized banks and dealers.

Up to NT\$40,000 and US\$5,000 can be brought into Taiwan by a foreign visitor. Such large amounts should, however, be declared on the customs slip that must be filled out upon entering the island. Foreign currency can be exchanged at the airport, as well as at authorized banks, hotels and shops. In addition, internationally recognized credit cards are accepted in many hotels, restaurants and shops. The use of automatic-teller machines is very popular on the island also. It should be noted that a surcharge is sometimes added when payment is made by credit card.

In most instances, tipping is not necessary. A 10-percent service charge is usually added to restaurant and hotel bills, eliminating the need for gratuities in such situations. It is, however, relatively common to leave the change when a bill is paid.

Porters at hotels and airports customarily receive tips for their services. Approximately NT\$50 - NT\$100 per item of luggage is acceptable. It is not necessary to tip in taxis unless assistance with luggage is rendered, but most drivers do appreciate being allowed to keep small change.

Travel Advisory and Visas

Taiwan has low-level of violent crime. Although visitors should take precautions to prevent violence, most streets of Taipei and other cities are generally safe at any hour. While violent crime is rare, Taiwan's pickpockets and thieves are extremely clever, so valuables should be properly secured. Taxi drivers, restaurateurs, store clerks and other service people are normally quite honest and often solicitous of the needs of the non-Chinese speaking foreign guest. The

people of Taiwan are generally outgoing toward foreigners and often will go out of their way to assist visitors.

U.S. citizens and citizens of seventeen other nations may visit Taiwan for up to fourteen days without a pre-arranged visa, provided they have a return plane ticket off the island with reservations. Other visitors to Taiwan are required to have valid Taiwan visas. These can be obtained from authorized representative offices in the United States. Two basic types of non-official visas, Visitor Visas and Resident Visas, are available to foreign visitors, depending upon the nature and duration of intended visits.

Extensions of visitor visas may be granted up to a maximum of two extensions of sixty days each, provided applicants have valid grounds for making such requests. Applications for visa extensions are administered at the city or county police department. No extensions are granted to those who enter Taiwan without a pre-arranged visa except in the event of force majeure or matters of vital importance.

Foreign visitors from nations with which Taiwan has reciprocal visa agreements receive visitor visas free-of-charge. The visa fee for those from other countries is NT\$1,000 for a single-entry visa and NT\$2,000 for a multiple-entry visa. Applications for multiple-entry visitor visas must be referred to the Ministry of Foreign Affairs.

Resident Visas are issued to foreign nationals who intend to stay in Taiwan for more than six months for study or research, employment, investment, missionary work, joining family members, or other legitimate reasons. When applying for Resident Visas, applicants must submit supporting documents or official letters of approval from a competent authority in Taiwan, together with completed application forms. Normally, foreign nationals make application through their domestic Taiwan agents, representatives or affiliates of their firms.

Holidays

There are four holidays and four festivals in Taiwan. Dates for the four festivals -- Chinese Lunar New Year day, Tomb-Sweeping Day, Dragon Boat Festival, and Mid-Autumn (Moon) Festival -- change with the lunar calendar. The following is a list of the four holidays and four festivals in Taiwan:

Holidays	Date in 2001
-----	-----
Founding Day	January 1
Chinese Lunar New Year	January 23 - 26
Peace Memorial Day	February 28
Tomb-Sweeping Day	April 5
Dragon Boat Festival	June 25
Mid-Autumn Festival	October 1
Double Tenth/National Day	October 10
Dr. Sun Yat-Sen's Birthday	November 12

Business Infrastructure

Transportation: Taiwan has two international airports, Chiang Kai-shek (CKS) airport in Taoyuan, 40km southwest of Taipei, and Kaohsiung in the south. CKS airport is the primary gateway to the island. It generally takes about one hour from CKS airport to Taipei City. Airport buses to Taipei depart from the airport every 15 minutes, and tickets cost NT\$120 per person. Buses from the airport to Hsinchu, Taichung, Changhua, Tainan and Kaohsiung are also available. Taxis are available at the airport. A 50 percent surcharge is added to the meter fare. Total cost by taxi from the airport to Taipei is about NT\$1,000. Many large hotels offer car or mini-bus services from the airport to Taipei. However, it is necessary to arrange such service when booking hotel reservations. Kaohsiung airport also offers regular flights to major destinations in the region. There are also several domestic airports and domestic airlines that provide fast and convenient connecting flights between Taiwan's larger cities, as well as its outlying islands.

Taiwan also has five international seaports with modern facilities: Keelung in the north, Taichung in the west, Kaohsiung in the south, and Susao and Hualien in the east. The Kaohsiung Harbor is the world's third largest in terms of loading and unloading volumes.

Taxis are widely available in Taipei and other major cities. For most cities, the meter is used to calculate the fare. The basic charge is NT\$70 for the first 1.65 kilometers, with an additional NT\$5 for every additional 350 meters. There is an additional charge of NT\$20 added to the fare shown on the meter. In addition, there is also an additional NT\$5 charge for every three minutes the vehicle travels below a speed of five kilometers per hour. A 20 percent nighttime surcharge is added between 11 pm and 6 am as well. Several taxi services that can be booked over the telephone are also in operation. A surcharge of NT\$10 is applicable on such calls. These services are generally considered safer and more reliable than individual taxis. All taxis have a surcharge of NT\$10 for luggage service, and there is a surcharge of 20 percent in effect for two days before the eve of the Chinese New Year until the end of that holiday period. Since most taxi drivers cannot speak English, the visitor should always carry Chinese-language versions of both his hotel name card and desired destination.

Taipei has five Mass Rapid Transit Systems (MRT), including the Mucha, Tamshui, Chungho, Hsintien and part of Nan-Pan routes, in operation. Fares of NT\$20 - NT\$60 are charged for a full-route ride on the five lines. The five lines will form a transportation network connecting downtown Taipei with the suburban areas of Mucha, Tamshui, Hsintien, Chungho, Nankang, Tucheng and Neihu in the foreseeable future.

Bus services in major cities are extensive, but can be incomprehensible to the foreign visitor. A comprehensive long-distance bus system run by the Taiwan Auto-Transport Company and Tong-Lieng Bus Company enables people to travel virtually anywhere on the island quickly, comfortably and at reasonable cost. The Taiwan Railway Administration operates an extensive rail network that is more than 1,000 kilometers in length.

Language: Mandarin is the official language. Taiwanese is also commonly spoken, especially in the southern and rural areas. English is by far the most popular foreign language, and large

numbers of people speak it with fluency. In particular, those working in hotels, business, or public organizations are likely to have a good command of the language. Moreover, many people, especially those educated before the Second World War, can also speak Japanese.

Communications: In general, Taiwan's telecommunications systems are efficient and convenient. Cities in Taiwan are plentifully supplied with blue public phones that can be used for both local calls and domestic long-distance calls. Phone-card telephones have recently proliferated. Cards can be purchased from the convenience stores. Cellular phones are becoming increasingly popular since the Ministry of Transportation and Communications liberalized the market in December 1997. Many operators have offered preferential rates or package sales. The Global System for Mobile Communications (GSM) has been used for the phone service. Facsimile is widely used everywhere in Taiwan. Direct transmission is available to many countries in the world as well. Most major companies, hotels and business service centers have facsimile and telex services. Telex and facsimile facilities are also available at the Chungwa Telecom-International Business Group (CHT-I), while an electronic mail service that enable users to send their own facsimile messages can be found in every post office on the island. In addition, CHT-I also has extensive videoconference facilities in its Taipei Communications Building. A commercial network called HiNet has been set up by Chunghwa Telecom to provide Taiwan users high-speed access to the Internet. Meanwhile, many networking companies provide various Internet services to satisfy the demand from domestic businesspeople and firms. In addition, the Integrated Services Digital Network (ISDN), which provides end-to-end and non-voice services, is now available from Chunghwa Telecom in Taipei, Taichung, Tainan and Kaohsiung.

Postal Service: Taiwan has an efficient postal system. Surface mail is normal delivered to any part of the island within one or two days, and a special delivery service is available that features delivery six to eight hours after posting, depending on destination.

International Courier Services: In addition to the vast range of government postal services available in Taiwan, visitors should also be aware that most of the leading international courier services have set up operations on the island. They offer delivery to and from most countries around the world. More detailed information concerning these firms can be obtained by consulting the telephone directory or one of the many privately published business directories available on the island.

Accommodations and Housing: Taiwan has a large number of international- and domestic-standard hotels, hostels and inns. For those who plan to stay in Taiwan on a long-term basis, a wide selection of apartments and houses is available. Rental costs vary considerably, depending on location and size. Typically, rents in Taipei and environs are far higher than in other areas. Landlords frequently require deposits of up to three-months' rent, and tenants are usually responsible for utilities.

Health Information: As in many other tropical and sub-tropical areas, tap water in Taiwan should be boiled before drinking, although water quality is certainly improving in the major cities. Hotels and restaurants do provide drinking water, and bottled mineral water is widely available.

Visitors should also take special care to wash all fruits and vegetables before eating and avoid eating in any of the island's countless street stalls, at least during the first few weeks of the stay.

There are several international-standard private and public hospitals and clinics. Taiwan also offers high-quality dental care, with most clinics being privately operated. The majority of doctors and dentists in Taiwan speak English well. Qualified foreign nationals with alien resident certificates and their family members can apply for coverage under the National Health Insurance Program (NHIP). This program incorporates the medical insurance coverage of 13 health care plans.

Many western brand-name pharmaceuticals are sold in Taiwan, often without prescription. In addition, a wide range of foreign and domestic over-the-counter non-prescription drugs is available. Visitors should, however, bring sufficient supplies of any specific medications they might require. Emergency medical treatment can be obtained by dialing 119.

Food: Chinese cuisine ranks among the best in the world, and there is no better place to sample it in all its infinite variety than in Taiwan. In countless large and small restaurants, specialties from almost every region can be found. Major regional styles include the Peking, Cantonese, Shanghai, Szechwan, and Hunan cuisines. The local Taiwan cuisine and traditional Buddhist vegetarian restaurants are also well represented.

Western food is gaining in popularity, as can be seen from the many western-style restaurants and foreign fast food chains that have set up branches in Taiwan's large cities in recent years. Visitors will find everything from hamburgers, pizza and steaks to the finest European cuisine.

Establishments serving other Asian cuisines can also be found in growing numbers in Taipei. Vietnamese, Thai, Indian, Malaysian, Korean and Japanese food are all big favorites with the city's residents, with the latter two being particularly popular.

Foreign visitors should not overlook the fragrant teas for which Taiwan is justly famous. These teas can either be purchased in attractive packages for use at home or sampled in one of the island's many traditional Chinese-style tea houses.

U.S. Business Travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel: (202) 512-1800; fax: (202) 512-2250. Business travelers to Taiwan seeking appointments with The American Institute in Taiwan should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at 886-2-2720-1550, fax at 886-2-2757-7162 or by e-mail at Taipei.Office.Box@mail.doc.gov.

CHAPTER X: ECONOMIC AND TRADE STATISTICS

Appendix A: Country Data

Population: 22.9 million (on 12/31/99)

Population Growth: 0.75 percent
 Religions: Buddhism, Confucianism, Taoism, Christianity
 Government System: Democracy
 Languages: Mandarin (official), Taiwanese, Hakka. Frequent use of English and Japanese in business settings.
 Work Week: Monday - Saturday morning (As of January 1, 1998, government employees (except those who work for the police, health bureau and customs) and most private companies take every second and fourth Saturday of the month off.)

Appendix B: Domestic Economy
 (US\$ millions, except where noted)

	1998	1999	2000(e)	2001(f)
	-----	-----	-----	-----
GDP (current)	267,174	288,686	321,254	Not Available
GDP Growth Rate (percent)	4.57	5.67	6.73	as of Printing (N/A)
GDP Per Capita (US\$)	12,267	13,152	14,525	N/A
Government Spending as Percent of GDP	26.1	25.9		
Inflation (percent)	1.7	0.2	1.8	N/A
Unemployment (percent)	2.7	2.9	2.7	N/A
Foreign Exchange Reserves	90,341	106,200	115,000	N/A
Average Exchange Rate for US\$1.00	33.46	32.27	32.73	N/A
Debit Service Ratio (Ratio of principal & interest on foreign debt to foreign income)	1.5-2.5%	1.5-2.5%	1.5-2.5%	1.5-2.5%

Sources:

1. Directorate General of Budget, Accounting and Statistics
2. Central Bank of China
3. AIT/T

Appendix C: Trade
 (US\$ millions, except where noted)

	1998	1999	2000(e)	2001(f)
	-----	-----	-----	-----
Total Country Exports (fob)	110,582	121,591	144,397	Not available
Total Country Imports (cif)	104,665	110,690	135,101	as of Printing (N/A)
Trade Balance	5,917	10,901	9,296	N/A
U.S. Exports to T. (cif)	19,679	19,693	23,372	N/A
U.S. Imports from T. (fob)	29,376	30,901	34,222	N/A
Trade Balance with U.S.	9,697	11,208	10,850	N/A

Sources:

1. Ministry of Finance
2. Directorate General of Budget, Accounting and Statistics
3. AIT/T

Appendix D: Investment Statistics

Table 1

Foreign Investment Approvals by Year and by Area
(1952-1999) (unit: U.S. dollar million)

Year	Japan	U.S.A.	Hong Kong	Eur.	Central Amer.	Other	Total
-----	-----	-----	-----	-----	-----	-----	-----
52-89	2,983	3,067	1,198	1,312	341	2,049	10,950
1990	839	581	236	283	66	297	2,302
1991	535	612	129	165	60	277	1,778
1992	421	220	213	165	37	405	1,461
1993	278	235	169	214	38	279	1,213
1994	396	327	251	245	76	336	1,631
1995	573	1,304	147	338	151	412	2,925
1996	546	489	267	198	417	544	2,461
1997	854	491	237	401	659	1,625	4,267
1998	540	952	274	367	711	895	3,739
1999	514	1,145	161	462	1,216	733	4,231
52-99	8,479	9,424	3,281	4,150	3,772	7,852	36,958

Source: Foreign Investment Commission

Table 2

Foreign Investment Approvals by Industry and Area
(1952-1999)(unit: U.S. dollar million)

Industry	Japan	U.S.A.	Hong Kong	Eur.	Central Amer.	Other	Total
-----	-----	-----	-----	-----	-----	-----	-----
Total	8,479	9,424	3,281	4,150	3,772	7,852	36,958
Electronics & Electrical	2,312	3,746	534	823	896	1,117	9,428
Banking & Insurance	204	833	500	707	999	1,372	4,615
Services	942	728	423	279	265	1,221	3,858
Chemicals	697	1,323	266	976	164	356	3,782
Trade	859	470	312	277	208	480	2,606
Basic Metal	674	336	121	122	116	848	2,217

& Products							
Machinery	750	294	104	139	161	229	1,677
Wholesale							
& Retail	364	232	45	260	106	402	1,409
Food							
& Beverage	243	212	126	109	63	376	1,129
Transportation	50	66	131	23	4	652	926
Non-metallic	151	175	81	84	19	179	689
Minerals							
Others	1,233	1,009	638	351	771	620	4,622

Source: Foreign Investment Commission

Table 3
Outward Investment Approvals by Year and by Area (1952-1999)
(unit: U.S. dollar million)

Year	China	U.S.A.	ASEAN	Central Am.	Others	Total
-----	-----	-----	-----	-----	-----	-----
1952-89	n.a.	865	429	76	155	1,525
1990	n.a.	429	567	170	386	1,552
1991	174	298	720	268	370	1,830
1992	247	193	309	239	146	1,134
1993	3,168	529	434	194	504	4,829
1994	962	144	398	569	506	2,579
1995	1,093	248	326	370	413	2,450
1996	1,229	271	587	809	498	3,394
1997	4,334	547	641	1,051	655	7,228
1998	2,035	599	478	1,838	381	5,331
1999	1,253	445	522	1,359	943	4,522
52-99	14,495	4,568	5,411	6,943	4,957	36,374

Source: Foreign Investment Commission

Notes:

(1) Statistics for 1993 include investments made prior to 1993 but not previously registered.

(2) Figures for 1997 include investments made prior to 1997 but not previously registered.

Table 4
Outward Investment Approvals by Industry and by Area
(1952-1999)(unit: U.S. dollar million)

Industry	PRC	U.S.A.	ASEAN	Central Am.	Other	Total
-----	-----	-----	-----	-----	-----	-----
Total	14,495	4,568	5,411	6,943	4,957	36,374
Banking						

& Insurance	44	909	474	5,147	1,597	8,171
Electronics	3,332	1,276	1,599	204	598	7,009
& Electrical						
Chemicals	1,006	810	424	37	56	2,333
Basic Metals						
& Products	1,239	37	625	75	88	2,064
Trade	132	202	60	709	658	1,761
Food						
& Beverage	1,237	162	219	0	69	1,687
Services	363	408	42	403	396	1,612
Textiles	787	34	517	16	163	1,517
Non-metallic						
& Minerals	866	7	384	0	17	1,274
Plastics						
Products	1,155	5	32	0	12	1,204
Others	4,334	718	1,035	352	1,303	7,742

Source: Foreign Investment Commission

Table 5
Technical Cooperation Projects by Year and by Area
(1952-1995)(unit: number of projects)

Year	Japan	U.S.A.	Europe	Others	Total
-----	-----	-----	-----	-----	-----
52-89	1,996	728	412	103	3,221
1990	106	54	30	10	200
1991	80	65	33	8	186
1992	193	50	19	10	175
1993	85	50	34	12	181
1994	70	39	24	6	139
1995	50	29	10	5	94
52-95	2,483	1,015	562	136	4,196

Source: Foreign Investment Commission

Note: Taiwan ceased to compile statistics on technical cooperation with foreign companies in 1996. Businesses have not been required to report technical cooperation projects to the FIC since the Statute for Technical Cooperation was abolished.

Table 6
Technical Cooperation Projects by Industry and by Area
(1952-1995)(unit: number of projects)

Industry	Japan	U.S.A.	Europe	Others	Total
----------	-------	--------	--------	--------	-------

-----	-----	-----	-----	-----	-----
Total	2,483	1,015	562	136	4,196
Electronics					
& Electrical	708	416	106	16	1,246
Chemicals	416	203	160	28	807
Machinery	368	68	97	9	542
Basic Metal					
& Products	329	55	53	6	443
Other Services	111	106	27	42	286
RubberProducts	131	32	21	4	188
Non-metallic					
Minerals	97	22	24	2	145
Food and Beverage	80	38	13	9	140
Textiles	47	21	8	2	78
Construction	38	5	10	4	57
Garment & Footwear	18	14	4	3	39
Paper Products	19	13	4	-	36
& Printing					
Transport Equipment	20	2	8	1	31
Others	101	20	27	10	149

Source: Foreign Investment Commission

Table 7
Selected Major U. S. Investors in Taiwan

U.S. Investors/Local Investments	Major Products
-----	-----
Corning In./ Corning Glass Taiwan Co., Ltd.	mother glass for TFT/LCD
GTE/ Taiwan Fixed-line Net Work Telecom Pacific Communications Services	Wire and cellular phone services
Carlyle Group/Taiwan Broadband Co.	Cable TV
Ensite Limited (Ford Motor)/Ford Lio Ho Motor Co.	autos
Texas Instruments Inc./Texas Instruments Taiwan Ltd.	semiconductors
AMOCO Chemical Corp./China American Petrochemical Co.	petrochemicals

E.I. Dupont De Nemours/ Dupont Taiwan Ltd.	industrial, electronic, agricultural goods
IBM Corp./IBM Taiwan Ltd.	computers: sales and services
AETNA Life Insurance Co./ AETNA Taiwan Branch	insurance
Citibank/Taiwan Branch	banking
AT & T Inc./ AT & T Communications Services Taiwan Inc. Far Eastone Telecommunications	telecommunication: sales and services
Warner Village Cinema Co./Warner Village Cinema (Taiwan) Co.	movie theater and entertainment facilities
United Parcel Service International Inc. (UPS)/UPS, Taiwan Branch	world wide express services
Intel Inc./InteX. Co.	ADSL chipset
Applied Materials Ltd./ Applied Materials Taiwan Ltd.	semiconductor mfg. equipment

Table 8
Selected Major Japanese Investments in Taiwan

Japanese Investors/Local Investments Major Products

-----	-----
Shapr Corp./Quanta Display Co.	TFT-LCD
Nissan Motor/Yulon Motor	autos
Toyota Motor/Kuozui Motor	autos
Matsushita Electronic Co./Matsushita Electronic (Taiwan) Co., Ltd.	electrical appliances
Hitachi Co./Taiwan Hitachi Co., Ltd./ Kaohsiung Hitachi Electronics Co., Ltd.	electrical appliances and components
Yamaha Motor Co., Ltd./Yamaha Motor	

Taiwan Co.Ltd.	motorcycles
Sankyo Co./Sankyo Co. Taipei	pharmaceuticals
Idemitsu Co./Shinkong Idemitsu Corp.	petrochemicals
Mitsui Co./Mitsui (Taiwan)	trading
Takashimaya Co./Ta-ya Takashimaya Dept. Store	department store
Sumitomo Co./Sumitomo (Taiwan)	trading
Toshiba Co./Toshiba Compressor (Taiwan)	compressors
Diamond Housing Co./Diamond Investment Co.	consulting
Sadagawa Steel Co./Sheng Yu Steel Co.	steel
Shin-Etsu Handotai Co./Shi-Etsu Handotai Taiwan Co.	semiconductors
Komatsu Co./Formosa Komatsu Sillion Co.	silicon wafers

Table 9
Selected Major European Investments in Taiwan

European Investors/Local Investments -----	Major Products -----
Deutsche Telecom/ Wire Eastern Broadbank Telecom	telecommunication services
Volkswagen Ag/Ching Chung Motor Co.	autos
Dresdner Bank Ag/Grand Cathay Securities	securities
N.V. Philips/Philips Electronics (Taiwan)	electronics
SHV International Ag/Macro Taiwan Ltd.	wholesale and retail
Alcatel Co./Alcatel Taisel Co.	switch boards
Internallianz Bank, Zurich/ Kwang Hwa Securities	securities

Horwood Investment/Chi Mei Industry Co. petrochemicals

H.S. Development & Finance/
ChinaTrust Commercial Bank banking services

Siemens Ltd./Promos Technologies Inc./
Siemens Telecommunications Systems Ltd. DRAM production systems; phone equipment

Appendix E: U.S. and Country Contacts

U.S. Trade Related Contacts

American Institute in Taiwan (AIT)

Commercial Section

Chief: Terry Cooke

Deputy Chief: Rosemary Gallant

Suite 3207, 333 Keelung Rd., Sec. 1, Taipei, Taiwan

Tel: 886-2-2720-1550, ext. 383, Fax: 886-2-2757-7162

Website: <http://ait.org.tw>

Agriculture Trade Office

Director: Stan Cohen

2nd Fl., 54 Nan Hai Road, Taipei Taiwan

Tel: 886-2-2337-6525, ext. 286

Fax: 886-2-2305-7073

Website: <http://ait.org.tw>

Economic Section

Chief: William Weinstein

Deputy Chief: Matthew Matthews

7, Lane 134, Hsin Yi Rd., Sec. 3, Taipei, Taiwan

Tel: 886-2-2709-2000, Fax: 886-2-2706-3023

Website: <http://ait.org.tw>

Washington-Based Country Contacts

AIT/Washington

Trade and Commercial Programs

Director: Rick Ruzicka

Suite 1700, 1700 N. Moore Street

Arlington, VA 22209

Tel: 703-525-8474, Fax: 703-841-1385

U.S. Department of Commerce

Taiwan Desk Officer

Linda Droker
Room 2327, 14th and Constitution Ave. NW
Washington, D.C. 20230
Tel: 202-482-4681, Fax: 202-482-4098
Website: <http://www.doc.gov>
Email: Linda.Droker@mail.doc.gov

U.S. Department of Commerce
US&FCS East Asia Pacific
Director: Carmine D'Aloisio
Room 1229, 14th and Constitution Ave. NW
Washington, D.C. 20230
Tel: 202-482-2429, Fax: 202-482-5179
Website: <http://www.doc.gov>

U.S. Department of Commerce
Trade Information Center
Room 7424, 14th and Constitution Ave. NW
Washington, D.C. 20230
Tel: 1-800-USA-TRADE
Website: <http://www.doc.gov>

U.S. Department of Agriculture
Foreign Agricultural Service
Trade Assistance and Promotion Office
South Building, 14th and Independent Ave. SW
Washington, D.C. 20250
Tel: 202-720-7420
Website: <http://www.fas.usda.gov>

AmCham and/or Bilateral Business Councils

American Chamber of Commerce
President: Paul Cassingham
Rm. 1012, 96 Chungshan N. Rd., Sec. 2, Taipei, Taiwan
Tel: 886-2-2581-7089, Fax: 886-2-2542-3376
Website: www.amcham.com.tw

China External Trade Development Council
Secretary-General: Ricky Y.S. Kao
3-8F, 333 Keelung Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2725-5200, Fax: 886-2-2757-6653
Website: <http://www.cetra.org.tw>

Trade or Industry Associations

Chinese National Association of Industry & Commerce

Chairman: Jeffrey Koo

13F, 390 Fuhsing S. Rd., Sec. 1, Taipei, Taiwan

Tel: 886-2-2707-0111, Fax: 886-2-2701-7601

Chinese National Federation of Industries

Chairman: Kao Chin-yen

12F, 390 Fuhsing S. Rd., Sec. 1, Taipei, Taiwan

Tel: 886-2-2703-3500, Fax: 886-2-2703-3982

Website: <http://www.industry.net.tw>

Email: cnfi@mail.cnfi.org.tw

Public Agencies

Ministry of Economic Affairs (MOEA)

Minister: Lin Hsin-yi

15 Foochow St., Taipei, Taiwan

Tel: 886-2-2321-8124, Fax: 886-2-2391-9398

Website: www.moea.gov.tw

Ministry of Finance (MOF)

Minister: Shea Jia-dong

2 Aikuo W. Rd., Taipei, Taiwan

Tel: 886-2-2322-8006, Fax: 886-2-2321-1205

Website: www.mof.gov.tw

Board of Foreign Trade (BOFT), MOEA

Director General: Chen Ruey-long

1 Hukou St., Taipei, Taiwan

Tel: 886-2-2321-0717, Fax: 886-2-2351-3603

Website: www.moeaboft.gov.tw

Email: boft@mail.moeaboft.gov.tw

Ministry of Transportation and Communications (MOTC)

Minister: Yeh Chu-lan

2 Changsha St., Sec. 1, Taipei, Taiwan

Tel: 886-2-2349-2000, Fax: 886-2-2389-6009

Website: www.motc.gov.tw

Directorate General of Telecommunications, MOTC

Director General: Chien Jen-Ter

16 Chi-Nan Rd., Taipei, Taiwan

Tel: 886-2-2343-3953, Fax: 886-2-2343-3772

Website: www.dgt.gov.tw

Email: [window@dgt.gov.tw](mailto>window@dgt.gov.tw)

Council of Agriculture (COA), Executive Yuan
Chairman: Chen His-huang
37 Nanhai Rd., Taipei, Taiwan
Tel: 886-2-2311-9175, Fax: 886-2-2361-4397
Website: www.coa.gov.tw

Council for Economic Planning and Development (CEPD)
Chairman: Chen Po-chih
3, Paoching Rd., Taipei, Taiwan
Tel: 886-2-2316-5306, Fax: 886-2-2370-0403
Website: www.cepd.gov.tw

Department of Health (DOH), Executive Yuan
Director-General: Lee Ming-liang
100 Aikuo E. Rd., Taipei, Taiwan
Tel: 886-2-2396-7166, Fax: 886-2-2341-8994
Website: www.doh.gov.tw

Environmental Protection Administration (EPA), Executive Yuan
Administrator: Lin Chun-yi
41 Chungwa Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2321-7888, Fax: 886-2-2371-9759
Website: www.epa.gov.tw

Market Research Firms (Partial Listing)

Dun & Bradstreet International Ltd., Taiwan Branch
General Manager: Vacant
12F, 188 Nanking E. Rd., Sec. 5, Taipei, Taiwan
Tel: 886-2-2756-2922, Fax: 886-2-2749-1936
Website: www.dnbtw.com.tw

AC Nielsen
Managing Director: Titan Wang
12F, 188 Nanking E. Rd., Sec. 5, Taipei, Taiwan
Tel: 886-2-2756-8668, Fax: 886-2-2754-8883
Website: www.acnielsen.com.tw

Investec Taiwan Ltd.
Vice President: Kent Aherns
13F, No. 460, Hsin Yi road, Section 4, Taipei, Taiwan
Tel: 886-2-8780-6600, Fax: 886-8780-0088

Commercial Banks (Partial Listing)

American Express Bank, Ltd.

Senior Director & Gen. Mgr: Howard Law
3rd & 4th Fl, 214 Tunhwa N. Rd., Taipei, Taiwan
Tel: 886-2-2715-1581, Fax: 886-2-2713-0263

Citibank, N.A.
General Manager: Peter Baumann
52 Minsheng E. Rd., Sec. 4, Taipei, Taiwan
Tel: 886-2-2715-5931, Fax: 886-2-2712-7388
Website: www.citibank.com.tw

Bank of Taiwan
120, Chungking S. Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2349-3456, Fax: 886-2-2331-5840
Website: www.bot.com.tw

International Commercial Bank of China
100 Chilin Rd., Taipei, Taiwan
Tel: 886-2-2563-3156, Fax: 886-2-2561-1216
Website: www.icbc.com.tw
Email: service@icbc.com.tw

Other U.S. Government Contact Numbers

U.S. Department of Commerce
Multilateral Development Bank Operations
Office Director: Janet Thomas
14th and Constitution Ave. NW
Washington, D.C. 20007
Tel: 202-482-3399, Fax: 202-482-5179

Trade Policy Coordinating Committee
Trade Information Center
Tel: 1-800-USA-TRADE

U.S. Department of State
Office of Business Affairs
2201 C Street N.W.
Washington, D.C. 20520
Tel: 202-746-1625
Fax: 202-647-3953

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel: 202-336-8799

Appendix F: Market Research

List of FY'00 Industry Subsector Analysis (ISA)

01. Electrical Generating Equipment
02. Hotel Architectural Services
03. Electro-Diagnostic Apparatus
04. Wireless Customer Premises Equipment
05. Ground Water Treatment Equipment and Services
06. Electronic Chemicals
07. Aircraft Parts & Maintenance
08. Computer Hardware/Software-Import Regime & Requirements
09. Home Furnishings
10. Industrial Pumps
11. Cosmetics
12. Digital Television Broadcast & Production Equipment
13. Industrial Waste Treatment Equipment
14. Petrochemical Production Machinery
15. Specialty Vehicles
16. Biotechnology: Medical
17. Fire-Proof Building Materials
18. B2B E-Commerce Software
19. Bath & Sanitary Ware
20. Services Overview

ISA Plan for FY 2001

01. Semiconductors
02. ASP Services
03. CRM (Customer Relationship Management) Software
04. Analytical Instruments
05. Electrical Test & Measurement Instruments
06. Vitamins and Mineral Supplements
07. Printing Machines
08. Baby Foods
09. Geospatial Information System for Municipal Planning
10. Construction Projects in Taiwan
11. Books & Periodicals
12. Cardiological Equipment
13. Alternative Vehicles
14. Harbor Equipment and Service
15. Fixed Network Telecom Equipment
16. Broadband Network Equipment
17. Electric Transmission and Distribution Equipment
18. Medical and Hazardous Waste Treatment
19. Soil Remediation Equipment

20. Accident Insurance

Note: A complete list of market research is available on the NTDB as planned in the FY 2000 CCG.

Appendix G: Trade Event Schedule

Event name: Taipei Int'l Medical Equipment & Pharmaceuticals Show (MEDIPHAR)

Event date: November 9-12, 2000

Industry theme: MED, HCS, DRG

Type of event: Trade Exhibition

Location: Taipei World Trade Center

Background of Participants: Manufacturers and agents

U.S. Government Supported?: Yes (USA Pavilion)

Event name: Computex Taipei 2001

Event date: June 2001

Industry theme: CPT (computers & peripherals)

Type of event: Trade Exhibition

Location: Taipei World Trade Center

Background of Participants: Manufacturers and sales agents

U.S. Government Supported?: Yes (USA Pavilion)

Event name: Taipei Aerospace Technology Exhibition (TATE)

Event date: August 2001

Industry theme: AIR (Aircraft and Parts)

Type of event: Trade Exhibition

Location: Taipei World Trade Center

Background of Participants: Manufacturers, sales agents

U.S. Government Supported?: Yes (Product Literature Center)

Event name: Multi-State Catalog Exhibition - Taipei

Event date: September 2001

Industry theme: OTR (Miscellaneous)

Type of event: Product Literature Center

Location: Taipei World Trade Center

Background of Participants: Manufacturers, sales agents

U.S. Government Supported?: Yes

Other Significant Events of Interest to U.S. Companies

Event name: Taipei American Education Fair

Event date: October, 2000

Industry theme: EDS

Type of event: TFO (Trade Fair Overseas Procured)

Location: Taipei Lai Lai Sheraton Hotel

Background of Participants: U.S. Universities and Education Firms

Event name: Kaohsiung American Education Fair

Event date: October, 2000

Industry theme: EDS

Type of event: TFO (Trade Fair Overseas Procured)

Location: Kaohsiung

Background of Participants: U.S. Universities and Education Firms

Event name: Taipei Int'l Travel Fair

Event date: Nov. 2-5, 2000

Industry theme: TRA

Location: Taipei World Trade Center

Background of Participants: Destinations, service providers

U.S. Government Supported?: No

Event name: Taipei International Book Exhibition

Event date: February 1-6, 2001

Industry theme: BOK

Location: Taipei World Trade Center

Background of Participants: Publishers, sales agents

U.S. Government Supported?: No

Event name: Taipei International Furniture Fair

Event date: March, 2001

Industry theme: FUR

Location: Taipei World Trade Center

Background of Participants: Manufacturers, sales agents

U.S. Government Supported?: No

Event name: Taipei American Education Fair

Event date: March, 2001

Industry theme: EDS

Type of event: TFO (Trade Fair Overseas Procured)

Location: Taipei Lai Lai Sheraton Hotel

Background of Participants: U.S. Universities and Education Firms

Event name: Kaohsiung American Education Spring Fair

Event date: March 2001 (tentative)

Industry theme: EDS

Type of event: TFO (Trade Fair Overseas Procured)

Location: Kaohsiung

Background of Participants: U.S. Universities and Education Firms

Event name: Semicon Taiwan

Event date: September 2001

Industry theme: ELC

Location: Taipei World Trade Center

Background of Participants: Manufacturers, sales agents

U.S. Government Supported?: No

For other major exhibitions held at the Taipei World Trade Center, contact the China External Trade Development Council at 886-2-2725-1111 or visit www.taipeitradeshows.cetra.org.tw.